Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **FREESTYLE HOLDINGS, LLC** **JASON K. VAUGHN** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-08-0055 **Docket No.** SD-08-0056

It appears to the Director of the Utah Division of Securities (Director) that Freestyle Holdings, LLC and Jason K. Vaughn (Respondents) may 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. Based upon information discovered in the course of the Utah Division of Securities' (Division) 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 JURISDICTION

1. Jurisdiction over the Respondents and the subject matter is appropriate because the Division alleges that the Respondents violated §§ 61-1-1 (securities fraud), 61-1-3 (sale

by unlicensed broker-dealer or agent), and 61-1-7 (sale of unregistered securities), of the Act, while engaged in the offer and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Freestyle Holdings, LLC (Freestyle) was registered as a Utah limited liability company on January 12, 2005, and its entity status is currently "delinquent." Jason K. Vaughn and his wife Melanie Vaughn are the sole members of Freestyle.

3. Jason K. Vaughn (Vaughn) resides in Utah County, Utah.

GENERAL ALLEGATIONS

4. From July 2005 to June 2007, Freestyle and Vaughn solicited a total of at least $1,451,000 from at least eight investors from Utah, Oregon, Idaho, and Louisiana.

5. Vaughn told prospective investors that funds would be advanced to Founders Capital or FranklinSquires, and invested in a real estate related transaction such as a bridge-loan. Vaughn offered investors promissory notes with interest of 3% per month for a term of eight months. Vaughn told investors they could withdraw their money at any time with 30 days notice and that the investment would be secured by real estate.

6. The promissory notes Vaughn issued state that the note is secured by "the relative portion of the total equity of real property estate holdings of [Freestyle]."

7. Freestyle and Vaughn made interest payments to investors until August 2007.

8. Of the eight known investors, all are still owed the majority, if not all, of their principal investment. The investments made by three of the eight investors are described below in more detail.

Investor JW

9. In October 2006, JW, her daughter AC, her other daughter AN, and AN's husband, attended a weekly meeting in Utah County, Utah, held by FranklinSquires.[1]

10. At the meeting JW and AC met with Vaughn, who told them about an investment opportunity in his company Freestyle. Vaughn's wife was also present.

11. AC told Vaughn that she and her mother (JW) were in Utah to find a good investment.

12. Vaughn told JW and AC that he could give them 3% interest per month through an investment in Freestyle.

13. JW told Vaughn she was interested, but would need to take out a home equity loan to get the investment funds.

14. On March 5, 2007, after securing a home equity loan, JW invested $85,000 in Freestyle. JW sent the money to Freestyle's bank account via wire transfer.

15. In return for JW's investment she received a promissory note from Freestyle, promising

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[1] According to the FranklinSquires website (http://franklinsquires.com/index.php), visited October 1, 2007, "FranklinSquires" refers to FranklinSquires Companies, LLC, a "private capital and business consulting firm." FranklinSquires Companies, LLC is a Utah County company, and Rick Koerber is the owner of FranklinSquires Investments, LLC, "a partner in the FranklinSquires Companies, LLC."

to pay interest payments of $2,550 per month. The promissory note also states that the principal investment can be called due with 30 days advance written notice. The promissory note bears Vaughn's signature.

16. Vaughn asked JW to sign a "Lenders' Disclosure Statement & Supplemental Agreement[2]," which she did.

17. JW received her first interest payment of $2,550, via wire transfer, on April 26, 2007.

18. In April 2007, JW requested the return of $35,000 of her principal.

19. JW's May 2007 payment included $2,550 plus $35,000 in principal.

20. JW also received a "Change of Principal &/or Interest Amount Related to a Promissory Note," which reflected the principal withdrawal and showed a new interest payment of $1,500 per month.

21. JW received interest payments of $1,500 in both June and July 2007.

22. JW has since received no interest payments.

23. After the interest payments stopped JW requested the return of the remainder of her principal but has received nothing from Vaughn or Freestyle.

24. Bank records reveal that JW's investment was maintained in the Freestyle account and

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[2] Some investors signed the disclosure statement which states that money invested would be used "for the general business purposes of Freestyle Holdings, LLC." All investors cooperating with the Division, however, have told the Division that they were assured by Vaughn or by those who taught the FranklinSquire classes, that their money would be invested with Founders Capital or FranklinSquires.

used to pay personal expenses and interest payments to several investors, including JW.

25. JW is still owed $50,000 in principal alone.

Investor TT and PT, Husband and Wife

26. TT and PT attended a FranklinSquires meeting in Washington County, Utah, in January 2005. A model investment opportunity was presented at the meeting, but no specific person or company was mentioned.

27. In the summer of 2005, Vaughn telephoned TT and PT and introduced himself to them as their "trainer."

28. In September 2005 TT and PT (in San Juan County, Utah) spoke to a FranklinSquires employee (in Utah County, Utah) by telephone, regarding different holding companies within FranklinSquires that were accepting investments. Vaughn's company, Freestyle, was mentioned as an option.

29. TT and PT then approached Vaughn and Vaughn agreed to accept their investment funds.

30. Vaughn told TT and PT the following regarding the investment opportunity:

    a. Their funds would be used to make hard money loans to buyers involved with the FranklinSquires programs until the buyers had secured conventional loans;

    b. TT and PT would receive 3% monthly interest;

    c. Principal would be repaid with 30 days advance written notice, or a term of eight months, whichever was sooner;

d. The promissory note could be renewed for additional eight month periods; and

e. The investment would be secured by the "relative portion of the total equity of real property estate holdings of [Freestyle]."

31. TT and PT made their initial investment of $65,000 with Freestyle on October 17, 2005.

32. In return TT and PT received a promissory note from Freestyle, which bears Vaughn's signature.

33. TT and PT made several subsequent investments which were documented by Vaughn with a "Change of Principal &/or Interest Amount Related to A Promissory Note."

34. TT and PT invested a total of $555,000 with Freestyle, between seven separate investments in the following amounts and on the following dates:

Date	Amount
10/17/2005	$65,000
03/07/2006	15,000
06/07/2006	30,000
10/30/2006	247,500
01/08/2007	40,500
01/23/2007	80,000
06/13/2007	77,000

35. TT and PT received their interest payments through and including July 2007.

36. When interest payments stopped, Vaughn told TT and PT it was because Founders Capital had not paid Freestyle interest owed, and because Founders Capital put a hold on all capital calls.

37. In a letter dated August 20, 2007, addressed to Freestyle and Vaughn, with carbon copies to Claud Roderick Koerber (Koerber), founder of Founders Capital and FranklinSquires, and Clavell Anderson, the managing member of Mountain Peaks Investments, LLC (according to FranklinSquires' website), TT and PT requested the return of their principal and interest owed.

38. To date, TT and PT have received nothing from Freestyle or Vaughn.

39. Bank records reveal that of TT's and PT's $555,000, Vaughn used $47,000 to pay a personal insurance premium and to make interest payments to several investors, including TT and PT. The remainder of TT's and PT's investment went to Founders Capital, or was withdrawn by Vaughn, leaving its disposition unknown.

Investors KT and MT, Husband and Wife

40. In early 2006, KT was taking online courses on real estate investing through FranklinSquires. Vaughn was KT's instructor / advisor at FranklinSquires.

41. In the spring of 2006, Vaughn called KT on KT's home telephone in Weber County, Utah, and told him about an investment opportunity with Freestyle.

42. Vaughn told KT the following regarding the investment opportunity:

    a. KT would make 3% per month from an investment with Freestyle;

    b. Principal could be withdrawn with 30 days advance written notice;

    c. Invested funds would be forwarded to Founders Capital to be used for bridge

loans, and purchasing and selling real estate within the companies of FranklinSquires;

d. Freestyle would make 1%, and Founders and other FranklinSquires companies were making a higher percentage off of funds invested;

e. If something went wrong with the investment, invested funds were "tied up" in real estate and investor would eventually recoup the money from the sale of the properties.

43. Vaughn told KT there is always a risk of losing invested funds so investments should never be more than one can afford to lose, but also said, "not to worry, things are going well."

44. On April 3, 2006, KT and MT made their first investment of $50,000 in Freestyle.

45. In return KT and MT received a promissory note from Freestyle. The note included interest of 3% per month for a term of eight months, and appeared to have been signed by Vaughn.

46. KT and MT made two additional investments in Freestyle: $70,000 on July 26 and $16,000 on November 10, 2006, for a total investment of $136,000.

47. KT's and MT's additional investments were documented with a "Change of Principal &/or Interest Amount Related to A Promissory Note" that they received from Vaughn.

48. KT and MT used money from a home equity loan on their personal residence to make the

$70,000 investment. KT and MT informed Vaughn of this fact prior to investing the $70,000.

49. KT and MT received interest payments from Freestyle through and including July 2007.

50. Since interest payments stopped, KT has e-mailed and telephoned Vaughn approximately twice a month for an update.

51. Vaughn told KT that the Utah Division of Securities is investigating Koerber of Founders Capital and that it had been a tough year for the mortgage lending arena and FranklinSquires companies were taking longer to move some of its properties, thus causing cash flow problems.

52. On or about July 17, 2007, Vaughn sent a letter to KT and MT stating that the terms of the promissory notes would be changing.

53. To day, KT and MT have received no additional payments of interest or principal, and are still owed $136,000 in principal alone.

CAUSES OF ACTION

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

54. The Division incorporates and re-alleges paragraphs 1 through 53.

55. The promissory notes offered and sold by the Respondents are securities under § 61-1-13 of the Act.

56. In connection with the offer and sale of securities to investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:

a. Invested funds would be used by Founders Capital or FranklinSquires in real estate transactions, mostly bridge loans, when in fact, Vaughn did not know how Founders Capital or Franklinsquires would use the funds; and

b. Vaughn told investor KT that Freestyle would make a profit of 1% on KT's investment, when in fact, Freestyle was making a profit of 2%.

57. In connection with the offer and sale of securities to investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made not misleading:

a. Vaughn had civil judgments entered against him in 2004 and 2006 which totaled approximately $12,000.

b. Vaughn's wife, also a principal in Freestyle, had a civil judgment of $12,180.61 entered against her in 2004;

c. Vaughn had an unpaid civil judgment of $5,704.51 against him in 2007;

d. In 2000, Claud Rick Koerber entered into a Stipulated Order Adopting Settlement with the Wyoming Secretary of State's Office for violations of the Wyoming Uniform Securities Act;

e. In 2001, Claud Roderick Koerber filed for bankruptcy;

f. Vaughn would use some of investors' funds to pay personal expenses and to pay interest payments to investors; and

g. Some or all of the information typically provided in an offering circular or prospectus regarding Freestyle and Founders Capital, such as:

   i. Identities of the principals of Founders Capital along with their experience;

   ii. Financial statements for Freestyle and Founders Capital;

   iii. The market for the product(s) or service(s) of Freestyle and Founders Capital;

   iv. The nature of the competition for the product(s) or service(s);

   v. Current capitalization of Freestyle and Founders Capital;

   vi. The track record of Founders Capital to investors;

   vii. Risk factors for investors;

   viii. Discussion of pertinent suitability factors for the investment;

   ix. The proposed use of the investment proceeds;

   x. Any conflicts of interest the issuer, the principals, or the agent may have with regard to the investment;

   xi. Agent commissions or compensation for selling the investment;

   xii. Whether the investment is a registered security or exempt from

registration; and

xiii. Whether the person selling the investment was licensed.

58. Based upon the foregoing, Freestyle Holdings, LLC and Jason K. Vaughn violated § 61-1-1 of the Act.

COUNT II
Sale by Unlicensed Broker-Dealer or Agent under § 61-1-3 of the Act
(Jason K. Vaughn)

59. The Division incorporates and re-alleges paragraphs 1 through 58.

60. Vaughn offered or sold securities in or from Utah.

61. When offering and selling these securities on behalf of Freestyle, Vaughn was acting as an agent of an issuer.

62. Vaughn has never been licensed to sell securities in Utah as an agent of this issuer, or any other issuer.

63. Based on the above information, Jason K. Vaughn violated § 61-1-3(1) of the Act.;

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

64. The Division incorporates and re-alleges paragraphs 1 through 63.

65. The promissory notes offered and sold by the Respondents are securities under § 61-1-13 of the Act.

66. The securities were offered and sold in or from this state.

67. The securities offered and sold by the Respondents were not registered under the Act, and Respondents did not file any claim of exemption relating to the investment opportunity.

68. Based on the above information, Freestyle Holdings, LLC and Jason K. Vaughn violated § 61-1-7 of the Act.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders the 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 occur on Tuesday, June 3rd, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah. The purpose of the hearing is to establish a scheduling order and address any preliminary matters. If the Respondents fail to file an answer and appear at the hearing, the Division of Securities may hold Respondents in default, and a fine may be imposed in accordance with Utah Code Ann. § 63-46b-11. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, the Respondents may show cause, if any they have:

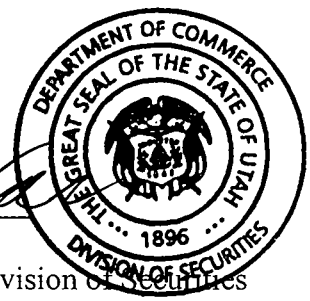
a. Why Freestyle Holdings, LLC and Jason K. Vaughn should not be found to have engaged in the violation alleged by the Division in this Order to Show Cause;

b. Why Freestyle Holdings, LLC and Jason K. Vaughn should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act; and

c. Why Freestyle Holdings, LLC and Jason K. Vaughn should not be ordered to pay

a fine, jointly and severally, of one million five hundred thousand dollars ($1,500,00) to the Division of Securities, which may be reduced by restitution paid to the victims.

DATED this 9TH day of May, 2008.



THAD LEVAR
Acting Director, Utah Division of Securities

Approved:

SCOTT DAVIS
Assistant Attorney General

S. J.

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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF: **FREESTYLE HOLDINGS, LLC** **JASON K. VAUGHN** **Respondents.**	**NOTICE OF AGENCY ACTION** **Docket No.** SD-08-0055 **Docket No.** SD-08-0056

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§ 63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.

Within thirty (30) days of the mailing date of this notice, you are required to file an Answer with the Division. The Answer must include the information required by Utah Code § 63-46b-6 (1). In addition, you are required by § 63-46b-6 (3) to state: a) by paragraph, whether

you admit or deny each allegation contained in the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission; b) any additional facts or documents which you assert are relevant in light of the allegations made; and c) any affirmative defenses (including exemptions or exceptions contained within the Utah Uniform Securities Act) which you assert are applicable. To the extent that factual allegations or allegations of violations contained in the Order to Show Cause are not disputed in your Answer, they will be deemed admitted.

Your Answer, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:	A copy to:
Administrative Court Clerk c/o Pam Radzinski Division of Securities 160 E. 300 S., Second Floor Box 146760 Salt Lake City, UT 84114-6760 (801) 530-6600	Scott Davis Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

A hearing date has been set for Tuesday, June 3rd, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

If you fail to file an Answer, as set forth herein, or fail to appear at the hearing, the Division of Securities may hold you in default, and a fine and other sanctions may be imposed

against you in accordance with Utah Code Ann. § 63-46b-11, without the necessity of providing you with any further notice. In lieu of default, the Division may decide to proceed with the hearing under § 63-46b-10. At the hearing, you may appear and be heard and present evidence on your behalf. You may be represented by counsel during these proceedings.

The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. Pursuant to U.C.A. Subsection 63-46b-2(1)(h), Mr. Eklund is hereby designated as presiding officer for the purpose of conducting this formal administrative proceeding. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to the Division's attorney, Scott Davis, at (801) 366-0310.

DATED this 9th day of May, 2008.

THAD LEVAR
Acting Director, Division of Securities
Utah Department of Commerce

Certificate of Mailing

I certify that on the 8TH day of MAY, 2008, I mailed, via certified and regular mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Freestyle Holdings, LLC
Attn: Jason Vaughn, Registered Agent
85 Eastbay Blvd
Provo, UT 84606

Certified Mail # 7004 1160 0003 0196 0075

Jason K. Vaughn
5623 West 11270 North
Highland, UT 84003

Certified Mail # 7004 1160 0003 0196 0068

PAM RADZINSKI
Executive Secretary