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
FAX: (801)530-6980

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

IN THE MATTER OF: **COLT TECHNOLOGIES, LLC** **TALI JAMES HALEUA** **Respondents.**	**ORDER TO SHOW CAUSE** **Docket No.** SD-08-0090 **Docket No.** SD-08-0091

It appears to the Director of the Utah Division of Securities (Director) that Colt Technologies, LLC and Tali James Haleua (the 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. 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 they violated § 61-1-1 (securities fraud) of the Act while engaged in the offer and sale of a security in or from Utah.

STATEMENT OF FACTS

THE RESPONDENTS

2. Colt Technologies, LLC (Colt Technologies) is a Utah limited liability company. Colt Technologies filed articles of organization on January 8, 2004, but its registration expired in May 2008 for failure to file an annual renewal. Colt Technologies was purportedly in the business of developing and producing wireless technology for use in the livestock industry. At the time of dissolution, Tali James Haleua was the sole manager of Colt Technologies. Prior to dissolution, Colt Technologies started doing business as TekVet Technology, LLC (TekVet) although TekVet was registered as a separate Utah limited liability company on July 19, 2006. TekVet's entity status is currently "expired." D. Brett Smith and Tali James Haleua are the managers of TekVet.

3. Tali James Haleua (Haleua) is a resident of Salt Lake County, Utah.

GENERAL ALLEGATIONS

4. From approximately March 2005 through June 2006, Haleua raised $431,000 for Colt Technologies from eight Utah investors. The investments made by three of the eight investors are described below in more detail.

5. Haleua told investors Colt Technologies was developing a wireless radio frequency device – a sensor tag attached to the animal and called the "TekVet Health Monitoring System" – to monitor the core temperature of cattle.

6. Haleua told investors they would receive anywhere from $.01 to $.15 royalty on each

sensor sold, and a few investors were promised an equity interest in Colt Technologies. Four of the investors received royalty agreements from Haleua to memorialize their investments, and three received no written documentation.

7. One of the eight investors received a term sheet from Haleua, which promised the return of his principal investment in 180 days, plus interest of 100% in 365 days.

8. One investor received a portion of his investment back from Haleua and Colt Technologies, but the rest received nothing.

9. The investment opportunities offered and sold by Haleua and Colt Technologies are securities under the Act.

Investor MC

10. In June 2006, MC met with Haleua and a Colt Technologies employee (Wallace Sr.) at Colt Technologies' offices in Salt Lake County, Utah, to discuss an investment opportunity.

11. At the meeting, Haleua told MC the following regarding an investment opportunity in Colt Technologies:

    a. The market for the sensor technology was "huge";

    b. Feed lots in Argentina and Kansas were ready to purchase the sensors;

    c. There was little to no competition because Colt Technologies' product was head and shoulders above the others;

    d. The sensors would sell for $20 each, with a profit of $10 per unit sold;

e. Colt Technologies was a start-up company so there was no track record for investors;

f. Colt Technologies was capitalized with money raised from private investors and Haleua's own money;

g. MC would receive additional royalties if MC could bring other investors to Colt Technologies;

h. MC would be paid back as quickly as possible, probably within six to eight months;

i. MC's money would be used to pay Haleua's travel expenses to go to upcoming conventions in Argentina and Hawaii; and

j. MC would receive equity of 2% in Colt Technologies, and a royalty agreement for $.15 on each sensor sold.

12. Haleua failed to tell MC, among other things, that Haleua had a criminal history, filed for bankruptcy in 1994, had several tax liens filed against him by the Utah State Tax Commission, and had an extensive history of civil litigation resulting in judgments as more fully described in ¶ 37 below.

13. On or about June 15, 2006, another Colt Technologies investor sent MC (via e-mail) a copy of Colt Technologies' June 2006 "Executive Summary." In the summary it states that Colt Technologies "received full F.C.C. approval of a proprietary radio frequency (RF/wireless) network system that is designed to monitor the health condition of

livestock." The summary does not contain disclosure information typically found in a prospectus or private placement memorandum.

14. On or about June 20, 2006, Haleua's attorney (J. Bates) sent MC and Haleua (via e-mail) an unsigned "interim" royalty agreement.

15. On June 21, 2006, at a restaurant in Salt Lake County, MC invested $100,000 in Colt Technologies by giving Haleua a personal check made payable to Colt Technologies. MC received no documentation of his investment at this time.

16. Shortly after the June 21, 2006 meeting, MC contacted J. Bates and asked for documentation of MC's investment. J. Bates told MC he would provide MC with a temporary document.

17. MC received a document entitled "Grant of Royalty and Membership of Interest" (the Royalty Agreement), but does not recall who gave it to him. The Royalty Agreement is back-dated June 20, 2006, is signed by D. Brent Smith (a former member of Colt Technologies), and states that MC would receive $.15 for every sensor sold, and 2% membership interest in Colt Technologies.

18. Sometime in early 2007, MC discovered that Haleua did not attend the conventions in Argentina or Hawaii and that Haleua had a criminal history.

19. MC has received nothing from his investment in Colt Technologies, and the Respondents still owe him $100,000 in principal alone.

<u>Investor JW</u>

20. In May 2006, JW met with Haleua three times to discuss an investment opportunity in Colt Technologies. JW met with Haleua at a restaurant, at Haleua's home, and at Haleua's office, all of which are located in Salt Lake County.

21. Between the three meetings, Haleua told JW the following:

    a. Invested funds would be used for research and development and general operations of Colt Technologies;

    b. "They" were "working out the bugs" and the sensors were "just about ready for production";

    c. Several high-volume customers were lined-up to purchase the sensors; and

    d. JW would receive $.10 for every sensor sold.

22. Haleua failed to tell JW, among other things, that Haleua had a criminal history, filed for bankruptcy in 1994, had several tax liens filed against him by the Utah State Tax Commission, and had an extensive history of civil litigation resulting in judgments as more fully described in ¶ 37 below.

23. On or about May 10, 2006, JW invested $40,000 in Colt Technologies, via cashier's check made payable to Colt Technologies.

24. In return for his investment, JW received a confidentiality agreement and grant of royalty interest (the Royalty Agreement). The Royalty Agreement was dated May 10, 2006, and signed by J. Bates.

25. JW has since received nothing from his investment in Colt Technologies, and the

Respondents owe him $40,000 in principal alone.

Investor AM

26. In February 2005, AM met with Haleua at Colt Technologies' offices to discuss an investment opportunity.

27. Haleua told AM the following regarding the investment opportunity:

    a. Haleua needed $200,000 to market Colt Technologies;

    b. In return, AM would receive his principal plus interest of 100%, and 10% ownership of the assets of Colt Technologies and Colt Credit Service (CCS);[1] and

    c. It was unlikely, but there was a small chance Colt Technologies would fail.

28. Haleua failed to tell AM, among other things, that Haleua had a criminal history, filed for bankruptcy in 1994, and had an extensive history of civil litigation resulting in judgments.

29. In March 2005, AM invested $200,000 in Colt Technologies, via the following means:

Date	Method of Payment	Amount
03/15/2005	Official Check made payable to CCS	$50,000
03/20/2005	Vehicle conveyed to Haleua	25,000
03/23/2005	Business check made payable to CCS	10,000
03/31/2005	Official Check made payable to CCS	115,000

[1] CCS was registered as a Utah limited liability company on March 15, 2005, but its entity status is currently "Expired." K. Lee Price was the manager of CCS.

TOTAL = $200,000

30. On or about March 16, 2005, in return for AM's investments, AM received a "Term Sheet" from Haleua, which stated that AM would receive his principal investment within 180 days, 10% equity in Colt Technologies and CCS, and interest of 100% within 365 days. The Term Sheet was signed by Haleua and K. Lee Price (the manager of CCS).

31. Approximately one week after AM's last investment, AM's wife discovered that Haleua had a criminal history.

32. In April 2006, Haleua returned $75,000 of AM's investment.

33. AM has since received no additional return from his investment, and the Respondents still owe him $125,000 in principal alone.

CAUSES OF ACTION

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

34. The Division incorporates and re-alleges paragraphs 1 through 33.

35. The Royalty Agreements and Term Sheet offered and sold by Haleua and Colt Technologies are investment contracts, and therefore securities, under § 61-1-13 of the Act. An investment contract includes,

> any investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor; or . . . any investment by which . . . an offeree furnishes initial value to an offerer; . . . a portion of this initial value is subjected to the risks of the enterprise; . . . the furnishing of the initial value is induced by the offerer's promises

> or representations which give rise to a reasonable understanding that a valuable benefit of some kind over and above the initial value will accrue to the offeree as a result of the operation of the enterprise; and . . . the offeree does not receive the right to exercise practical or actual control over the managerial decisions of the enterprise.

UTAH ADMIN. CODE R164-13-1(B)(1)(a) and 1(b).

36. In connection with the offer and sale of a security, Colt Technologies and Haleua, directly or indirectly, made false statements to some or all investors, including, but not limited to, the following:

a. The market for the sensor technology was "huge";

b. Feed lots in Argentina and Kansas were ready to purchase the sensors;

c. There was little to no competition because Colt Technologies' product was head and shoulders above the others;

d. MC would be paid back as quickly as possible, possibly six to eight months;

e. MC's money would be used to pay Haleua's travel expenses to go to conventions in Argentina and Hawaii;

f. MC would receive equity of 2% in Colt Technologies, and a royalty agreement for $.15 on each sensor sold;

g. "They" were "working out the bugs" and the sensors were "just about ready for production";

h. Several high-volume customers were lined-up to purchase the sensors;

i. JW would receive $.10 for every sensor sold;

j. AM would receive his principal plus interest of 100% and 10% ownership of the assets of Colt Technologies and CCS, in return for an investment; and

k. Colt Technologies "received full F.C.C. approval of a proprietary radio frequency (RF/wireless) network system that is designed to monitor the health condition of livestock."

37. In connection with the offer and sale of a security, Colt Technologies and Haleua, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make representations made in light of the circumstances under which they were made, not misleading:

a. Haleua had a criminal history;

b. Haleua filed for bankruptcy in 1994;

c. The Utah State Tax Commission filed tax liens against Haleua on April 17, 2000, August 29, 2005, and October 3, 2005, totaling $126,606.

d. Haleua had an extensive history of civil litigation which resulted in civil judgments against Haleua totaling approximately $43,000; and

e. The information typically included in a prospectus or private placement memorandum regarding Colt Technologies.

38. Based upon the foregoing, Colt Technologies, LLC and Tali James Haleua violated § 61-1-1 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, October 7th, 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 Colt Technologies, LLC and Tali James Haleua should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;

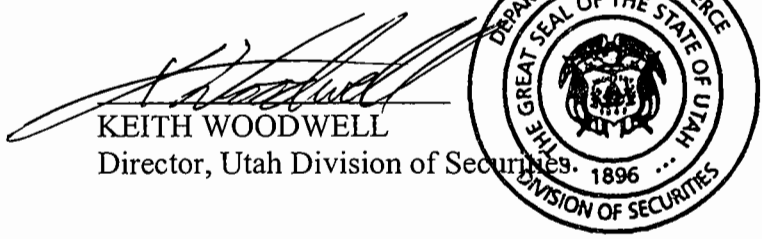
b. Why Colt Technologies, LLC and Tali James Haleua should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. § 61-1-1, or any other section of the Act;

c. Why Colt Technologies, LLC should not be ordered to pay a fine of five hundred thousand dollars ($500,000) to the Division of Securities, which may be reduced by restitution paid to the victims; and

d. Why Tali James Haleua should not be ordered to pay a fine of five hundred

thousand dollars ($500,000) to the Division of Securities, which may be reduced by restitution paid to the victims.

DATED this 3rd day of ~~August,~~ September 2008.



KEITH WOODWELL
Director, Utah Division of Securities

Approved:

JEFF BUCKNER
Assistant Attorney General

D. P.

Division of Securities
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BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH

IN THE MATTER OF:	NOTICE OF AGENCY ACTION
COLT TECHNOLOGIES, LLC TALI JAMES HALEUA	Docket No. SD-08-0090 Docket No. SD-08-0091
Respondents.	

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	Jeff Buckner Assistant Attorney General 160 E. 300 S., Fifth Floor Box 140872 Salt Lake City, UT 84114-0872 (801) 366-0310

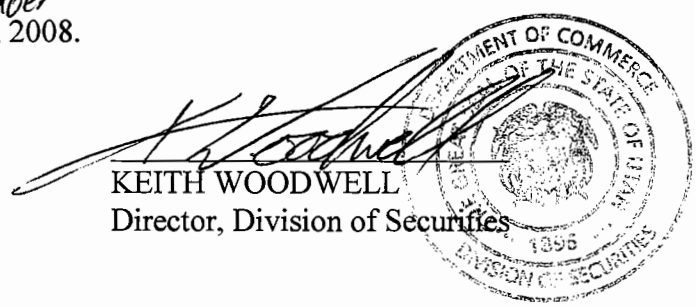
A hearing date has been set for Tuesday, October 7th, 2008, at 9:00 a.m., at the office of the Utah Division of Securities, located in the Heber Wells Building, 160 East 300 South, 2nd Floor, Salt Lake City, Utah.

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, Jeff Buckner, at (801) 366-0310.

DATED this 3rd day of ~~August~~ September, 2008.



KEITH WOODWELL
Director, Division of Securities

Certificate of Mailing/Service

I certify that on the ~~3RD~~ 4TH day of ~~August~~ SEPTEMBER, 2008, I mailed, via certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Colt Technologies, LLC
685 North Main
North Salt Lake, UT 84054

Certified Mailing # 7004 1160 0003 0196 1867

Tali James Haleua
59 Wanderwood Way
Sandy, UT 84092

Certified Mailing # 7004 1160 0003 0196 1874

Blake Nakamura, Counsel for Haleua
142 E. 200 S.#312
Salt Lake City, UT 84111

Certified Mailing # 7004 1160 0003 0196 1881

Pamela Radzinski
Executive Secretary

Certificate of Service

I certify that on the ~~3RD~~ 4TH day of ~~August~~ SEPTEMBER, 2008, I hand delivered a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Colt Technologies, LLC
Attn: Division of Corporations Director, Registered Agent
160 E. 300 So., 2nd Floor
Salt Lake City, UT 84111

PAMALA RADZINSKI
Executive Secretary