

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:

**PI WORKS, INCORPORATED,
PERSONAL INJURY WORKS, INC.,
MICHAEL S. LANGHEINRICH,**

Respondents.

ORDER TO SHOW CAUSE

Docket No. ~~00-11-0043~~

Docket No. ~~00-11-0044~~

Docket No. ~~00-11-0045~~

It appears to the Director of the Utah Division of Securities (Director) that Michael S. Langheinrich has 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 Respondent and the subject matter is appropriate because the Division alleges that he violated § 61-1-1 (securities fraud) of the Act while engaged in the offer

and sale of securities in or from Utah.

STATEMENT OF FACTS

THE RESPONDENT

2. PI Works, Incorporated (PI Works) is a Utah corporation, registered on November 9, 2006. Ember Salvesson is the registered agent and director. PI Works's status as a business entity is expired. PI Works has never been licensed by the Division as a broker/dealer agent or as an issuer/agent to sell securities.
3. Personal Injury Works, Inc. (PIW) is a Nevada corporation, registered on June 21, 2006. Michael S. Langheinrich is the director. PIW's status as a business entity is revoked. PIW has never been licensed by the Division as a broker/dealer agent or as an issuer/agent to sell securities.
4. Michael S. Langheinrich (Langheinrich) was, at all relevant times, a resident of the State of Utah. From 1978 and 1987, Langheinrich passed the Series 4, 7, 24, 27, and 63 exams, but, at all time relevant, was not associated with a broker/dealer firm.

GENERAL ALLEGATIONS

5. From January 11, 2011 to January 13, 2011, Respondents offered and sold securities to investors, in or from Utah, and collected \$360,150.
6. Respondents made material misstatements and omissions in connection with the offer of a security to the potential investor and the investigator listed below.

7. The investors lost approximately \$289,314 in principal.

INVESTORS D.B. AND M.B.

8. D.B. and M.B. met Langheinrich in October 1997.

First Investment

9. From March 2005 to August 2005, Langheinrich had several meetings in Salt Lake County, Utah with D.B., to discuss investment opportunities.
10. During that time, Langheinrich told D.B. that he could earn 12% per annum on his investment funds if D.B. invested with Langheinrich.
11. Langheinrich also stated that the investments would be safe.
12. Based on Langheinrich's statements, D.B. invested \$91,517 with Langheinrich. From August 2005 to May 10, 2006, D.B. rolled over \$91,517 from his annuities and insurance accounts into an investment with Langheinrich.
13. Langheinrich sent quarterly statements to D.B. and M.B. on letterhead for Pacific Capital Investors¹ (Pacific Capital) stating the "account [was] cleared through Pershing Securities New York²" and lists Langheinrich's address and phone number.
14. The statements claim that D.B.'s funds were used to buy into the "Pershing High Yield Investment Fund."

¹There is no record of this company as a business entity or broker-dealer.

²FINRA records do not show any records of such an entity.

15. Bank records show that, on or about January 1, 2006, \$40,472 of the investment funds were deposited into a U.S. Bank account for PI Works. The funds were used for Langheinrich's personal expenses, PI Works's business expenses, and interest payments to D.B. and M.B.

Second Investment

16. In or about January 2006, Langheinrich met with D.B in Salt Lake County, Utah to discuss more investment opportunities. M.B. had received some inherited some funds and she and D.B. wanted to invest them.
17. During the meeting, Langheinrich made the following statements:
- a. He had some investments paying between 5% and 7% per annum; and
 - b. The investments were safe and fully insured.
18. On or about February 3, 2006, Langheinrich met with D.B. and M.B. to further discuss investing the inheritance funds.
19. During the meeting, Langheinrich made the following statements:
- a. M.B.'s funds would be going to Lehman Brothers;
 - b. The investment opportunity was completely safe and insured;
 - c. The investment funds could be returned almost any time because other people would buy the investment opportunity later;
 - d. He was able to offer the investment because other people were looking to liquidate their holdings in the investment;

- e. He could get into the investment for a good price;
 - f. The investment would pay between 5% and 7% per annum with interest paid quarterly;
 - g. The investment was a better place to keep the funds than in a bank account, because the bank would not pay as much interest on the funds as the investment opportunity would.
20. Based on Langheinrich's statements, D.B. and M.B. invested \$152,000 with Langheinrich.
 21. On February 3, 2006, M.B. gave Langheinrich a personal check of \$48,000 made payable to PI Works. On February 17, 2006, M.B. gave Langheinrich two personal checks totaling \$104,000.
 22. Two weeks later, Langheinrich gave D.B. and M.B. three different prospectuses on investments where M.B.'s funds had been placed - two for Lehman Group Municipal Bond offerings and one for Advanta Corp. investment notes and certificates.
 23. Langheinrich sent quarterly Pacific Capital statements showing M.B.'s funds were used for the Lehman Brothers and Advanta investments.
 24. Bank records show that most of the investment funds were used for Langheinrich's personal expenses such as a \$28,572 payment for a BMW, PI Works's business expenses, and interest payments to D.B. and M.B.

Third Investment

25. In or about March 2006, D.B. phoned Langheinrich to discuss investing \$10,000 into a 529 savings account through Langheinrich for D.B.'s granddaughter.
26. Langheinrich offered 13% per annum on the investment funds. Langheinrich also stated that the investment would be safe with low risk.
27. Based on Langheinrich's statements, D.B. invested \$10,000 with Langheinrich. On or about March 31, 2006, D.B. gave Langheinrich a personal check for \$10,000 made payable to PI Works.
28. Langheinrich sent quarterly Pacific Capital statements showing D.B.'s funds were used for the "Pershing High Yield Investment Fund."
29. Bank records show that the funds were used for PI Works business expenses, a "loan" to an unrelated individual, and as part of a \$4,000 payment to Langheinrich's wife, Ember Salveson.

Fourth Investment

30. On or about September 26, 2006, Langheinrich phoned D.B. about an investment opportunity in a Certificate of Deposit (CD). Langheinrich also visited D.B. in his home later that day to further discuss the investment.
31. During the conversations, Langheinrich made the following statements:
 - a. He had the opportunity to place funds into an investment CD which offered interest at a rate of 12% per annum for a one year term; and

- b. The investment was safe and insured.
32. Based on Langheinrich's statements, D.B. invested \$14,568 with Langheinrich. On or about September 26, 2006, D.B. gave Langheinrich two personal checks totaling \$14,568 made payable to PI Works.
33. Langheinrich sent quarterly Pacific Capital statements showing D.B.'s funds were used for the "Pershing High Yield CD."
34. Bank records show that the funds were used in the following manner:
- a. \$10,000 used towards Langheinrich's condo;
 - b. \$1,082 used for PI Works's office rent;
 - c. \$1,000 paid to D.B.; and
 - d. Other personal expenses.

Fifth Investment

35. In March 2007, Langheinrich met with D.B. and M.B. multiple times about moving M.B.'s funds from insurance accounts to an IRA account through Langheinrich.
36. During the meetings Langheinrich made the following statements:
- a. He would be able to earn more interest on M.B.'s funds than what she was earning from her insurance accounts; and
 - b. The funds would be safe and insured.
37. Based on Langheinrich's statements, D.B. and M.B. invested \$43,677 with Langheinrich.

Between March and July 2007, M.B. rolled over \$43,677 from her insurance accounts to PI Works's bank account.

38. Langheinrich sent quarterly Pacific Capital statements showing D.B.'s funds were used for the "Met-Life High Yield Fund."
39. Bank records show that most of M.B.'s funds were used for personal expenses, PI Works's business expenses, and interest payments to D.B. and M.B.

Sixth Investment

40. On or about June 11, 2007, Langheinrich met with D.B. and M.B. in their home to discuss another investment opportunity for them.
41. During the conversation, Langheinrich made the following statement:
 - a. He had a money market account offer for them;
 - b. If D.B. and M.B. invested for one year, they would receive 7.5% per annum interest;
and
 - c. D.B. and M.B. could withdraw the funds at any time, but they would receive 5% per annum on their funds if withdrawn early.
42. Based Langheinrich's statements, D.B. and M.B. invested \$10,000 with Langheinrich. On June 11, 2007, D.B. and M.B. gave Langheinrich a personal check for \$10,000 made payable to PI Works.
43. Langheinrich sent quarterly Pacific Capital statements showing D.B.'s funds were used for

“Fidelity Ready Access.”

44. Bank records show that Langheinrich used the funds in the following manner:
 - a. \$3,855 used to pay American Express;
 - b. \$2,182 used to pay First Equity;
 - c. \$1,115 used to pay PI Works’s office rent;
 - d. \$920 used to pay Meridian;
 - e. \$400 used to pay Washington Mutual Bank;
 - f. \$400 withdrawn as cash; and
 - g. \$397 used to pay bank fees.
45. In August 2008, D.B. and M.B. stopped receiving payments from Langheinrich.
46. In September 2010, D.B. discovered that someone had withdrawn \$20,000 from his insurance accounts in 2003. Someone had also endorsed the insurance check by forging D.B.’s signature and deposited it into PI Works’s bank account.
47. This new discovery made D.B. suspicious of Langheinrich leading him to request his funds returned in October 2008. Langheinrich said he was trying to “straighten out some problems” but that D.B. and M.B. would be rich from their investments. This was their last communications.
48. D.B. and M.B. received about \$52,836 in payments from Langheinrich and are still owed \$264,358 in principal

INVESTOR J.B.

49. Since 2001, J.B. and Langheinrich were neighbors and friends.
50. During their friendship, Langheinrich told J.B. he had been a securities broker in California and referred to himself as a NASDAQ trader. Langheinrich claimed to have left industry because he was “burnt out.”
51. Langheinrich said that he started his own business, PI Works, which worked with injured individuals and their attorneys to collect settlements from law suits. Langheinrich claimed that he was making \$800,000 in this business.
52. Langheinrich told J.B. that he was starting a side business of loaning money and charging interest to his clients who were waiting for settlements, but needed money before the settlements were finalized.
53. Langheinrich told J.B. that these loans were a “sure thing” and that there was no risk involved because settlement checks were paid to Langheinrich directly.
54. In or about March 2008, J.B. and Langheinrich met twice in Salt Lake County, Utah to discuss an investment opportunity. During the meeting, Langheinrich made the following statements:
 - a. He had a female client who was awarded a settlement, but the funds had not yet arrived:
 - b. The client needed some funds, so he was going to charge the client 5% per month

interest on a loan;

- c. J.B. would receive 5% per month on whatever funds he invested;
 - d. The interest rate was high because the client could not acquire money from other sources;
 - e. The client's settlement would be paid within thirty days;
 - f. The loan had "minimal risk;" and
 - g. He would be loaning at least \$20,000 his money to the client as well.
55. Based on Langheinrich's statements, J.B. invested \$20,000 with Langheinrich. On or about April 3, 2008, J.B. gave Langheinrich a check for \$20,000 made payable to PI Works.
56. Bank records show that on April 7, 2008 J.B.'s investment funds were deposited in PI Works's bank account and then used in the following manner:
- a. \$16,920 used to pay off a negative balance;
 - b. \$1,700 used to pay various individuals by check;
 - c. \$1,000 used to pay an unrelated individual;
 - d. \$760 used to pay D.B.;
 - e. \$468 used to pay an employee;
 - f. \$249 used to pay utilities; and
 - g. \$200 used to pay Dell Business.
57. J.B. received no payments from Langheinrich and is owed \$20,000 in principal.

CAUSES OF ACTION

Securities Fraud under § 61-1-1 of the Act (Investors D.B. and M.B.)

58. The Division incorporates and re-alleges paragraphs 1 through 57.
59. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
60. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. The investments were safe and insured, when in fact, Langheinrich had no reasonable basis for making such a statement;
 - b. Pacific Capital statements reading “cleared through Pershing Securities New York,” when in fact, there is no such entity or broker/dealer;
 - c. Pacific Capital statements showing gains in D.B.’s and M.B.’s accounts, when in fact, the funds had been used for unrelated expenses and were never invested;
 - d. M.B.’s inheritance funds would be going to Lehman Brothers, when in fact, the funds were used for other unrelated expenses;
 - e. Three prospectuses showing where M.B.’s inheritance funds had been placed, when in fact, portions of the funds had already been used for unrelated expenses; and
 - f. The investments were low risk, tax-free, and insured up to \$25 million, when in fact, Langheinrich had no reasonable basis for making such a statement.

61. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:
- a. How Langheinrich was affiliated with Pacific Capital and how Pacific Capital was affiliated with the investments;
 - b. Where D.B. and M.B.'s funds would be placed;
 - c. In 2005, Langheinrich ~~was convicted of~~ pleaded guilty to theft³;
 - d. From 1989 to 2004, Langheinrich was involved in numerous civil suits totaling judgments over \$3,000;
 - e. In 1993, Langheinrich was convicted of bank fraud and securities fraud violations⁴;
 - f. In 1993, Langheinrich had a default judgment and permanent injunction filed against him by the U.S. Securities and Exchange Commission for securities fraud⁵;
 - g. In 1991, Langheinrich was barred by the NASD and fined \$57,000;
 - h. Some or all of the information typically provided in an offering circular or prospectus regarding Respondents, such as:
 - i. Financial statements;

³*State of Utah v. Michael Scott Langheinrich*, Case No. 001404320 in Fourth Judicial District Court (Utah 2000).

⁴*USA v. et. al. v. Langheinrich*, Case No. 2:93-cr-00022-DS (Utah 1993).

⁵*SEC v. Langheinrich*, Case No. 2:93-cv-00857-AJA (Utah 1993).

- ii. Risk factors;
- iii. Track record to investors; and
- iv. Respondents' business experience and operating history.
- v. Whether the investment is a registered security or exempt from registration;
and
- vi. Whether Respondents were licensed to sell securities.

**Securities Fraud under § 61-1-1 of the Act
(Investor J.B.)**

- 62. The Division incorporates and re-alleges paragraphs 1 through 56-57.
- 63. The investment opportunities offered and sold by Respondents are securities under § 61-1-13 of the Act.
- 64. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, made false statements, including, but not limited to, the following:
 - a. The investment held "minimal risk," when in fact, Langheinrich had no reasonable basis for making such a statement.
- 65. In connection with the offer and sale of a security to the investors, Respondents, directly or indirectly, failed to disclose material information, including, but not limited to, the following, which was necessary in order to make statements made not misleading:
 - a. In 2005, Langheinrich was convicted of theft:
 - b. From 1989 to 2004, Langheinrich was involved in numerous civil suits totaling

judgments over \$3,000;

- c. In 1993, Langheinrich was convicted of bank fraud and securities violations;
- d. In 1993, Langheinrich had a default judgment and permanent injunction filed against him by the U.S. Securities and Exchange Commission for securities fraud;
- e. In 1991, Langheinrich was barred by the NASD and fined \$57,000;
- f. Some or all of the information typically provided in an offering circular or prospectus regarding Respondents, such as:
 - i. Financial statements;
 - ii. Risk factors;
 - iii. Track record to investors; and
 - iv. Respondents' business experience and operating history.
 - v. Whether the investment is a registered security or exempt from registration; and
 - vi. Whether Respondents were licensed to sell securities.

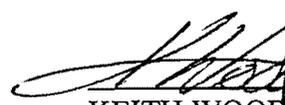
ORDER

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. §§ 63G-4-202, -204 through -208, and held before the Utah Division of Securities. The hearing will occur on Wednesday, August 3, 2011, 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 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. § 63G-4-209. In lieu of default, the Division may decide to proceed with the hearing under § 63G-4-208. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division in this Order to Show Cause;
- b. Why Respondents 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 Respondents should not be barred from (i) associating with any broker-dealer or investment adviser licensed in Utah; (ii) acting as an agent for any issuer soliciting investor funds in Utah, and (iii) from being licensed in any capacity in the securities industry in Utah.
- d. Why Respondents should not be ordered to pay to the Division a fine amount to be determined by stipulation or by the presiding officer after a hearing in accordance with the provisions of Utah Admin. Rule R164-31-1, which may be reduced by restitution paid to the investors.

DATED this 28th day of June, 2011.


KEITH WOODWORTH
Director, Utah Division of Securities



Approved:


JEFFREY BUCKNER
Assistant Attorney General
J.N.

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:

**PI WORKS, INCORPORATED,
PERSONAL INJURY WORKS, INC.,
MICHAEL S. LANGHEINRICH,**

Respondents.

NOTICE OF AGENCY ACTION

Docket No.

Docket No.

Docket No.

SD-11-0043
~~SD-11-0044~~
~~SD-11-0045~~

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENT:

You are hereby notified that agency action in the form of an adjudicative proceeding has been commenced against you by the Utah Division of Securities (Division). The adjudicative proceeding is to be formal and will be conducted according to statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through 209; see also Utah Admin. Code R151-4-101, *et seq.* The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-20. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative. Your

response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Order to Show Cause, including a detailed explanation for any response other than an unqualified admission. Allegations in the Order to Show Cause not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Order to Show Cause, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, 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:

Administrative Court Clerk
c/o Julie Price
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jeff Buckner
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set for **August 3, 2011** at the Division of Securities,

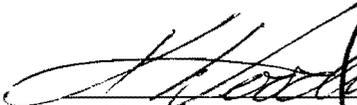
2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9 A.M.

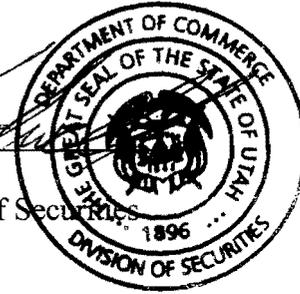
If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Order to Show Cause, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Angela Hendricks, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6035. This adjudicative proceeding will be heard by Ms. Hendricks and the Utah Securities Commission. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause should be directed to Jeff Buckner, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 28th day of June, 2011


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 29th day of June, 2011, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

PI Works, Incorporated
Michael S. Langheinrich
123 Versailles Way
Midway, UT 84049

Certified Mail # 7007 0220 0001 0003 0004


Executive Secretary