

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

In the matter of:

MILFORD JAMES FAYLOR

Docket No. 2022-7-12

**ORDER TO CEASE AND DESIST AND
NOTICE OF OPPORTUNITY FOR A
HEARING**

The Director of the Idaho Department of Finance ("Director"), being authorized and directed to administer and enforce the Idaho Uniform Securities Act (2004) ("Act"), Idaho Code § 30-14-101 et seq., has conducted an investigation and the Director alleges the following facts that constitute a basis for the issuance of an ORDER TO CEASE AND DESIST ("Order") pursuant to Idaho Code § 30-14-604(a)(1) requiring Milford James Faylor ("Respondent") to cease and desist from violating the Act by failing to file registration statements with the Department and violating the fraud provisions by misrepresenting and omitting material facts, in connection with the offer, sale, or purchase of securities in, into, or from Idaho. This Order is effective upon the date of issuance.

RESPONDENT

1. **Milford "James" Faylor** ("Faylor") was a resident of Nampa, Idaho during all relevant times. Faylor was listed as the owner of MJF Services and a member of both Flip My Home LLC and Our House LLC. Faylor has never been registered to sell securities or provide investment advice.

FINDINGS OF FACT

ISSUANCE OF SECURITIES

2. Faylor offered and sold securities in the form of promissory notes ("PN"), in exchange for investment funds, which had various terms. The duration of the investment ranged from six

days to two years, and the return on investment was through various flat fees or interest rates between 7% - 20%. A few of the PN indicated the investor would have a security interest in a property.

3. Investors were not provided financial records and claimed their funds were to be used for real estate purposes. Most investors were of the understanding that the investment was unsecured but had little to no risk.
4. Faylor claimed he borrowed funds from friends and previous business associates to buy houses at foreclosure sales and claimed he would rehabilitate and ultimately sell or rent the properties. However, Faylor has not purchased a property in over ten years and did not maintain accurate accounting records supporting how funds were obtained, used, or repaid.
5. Investor funds were deposited into Faylor's various personal bank accounts or redeemed for cash and did not appear to be used for any real estate purpose. Funds were used to make investment trades in volatile stocks and to pay prior investors, his daughter (Julie Faylor), his brother (Robert Faylor), an unknown relative (Jennifer Faylor), personal loans, negative bank balances, and for Faylor's own personal use.

CONCLUSIONS OF LAW

FAILURE TO FILE A REGISTRATION STATEMENT

(Violation of Idaho Code § 30-14-301)

1. Idaho Code § 30-14-102(28) defines a "security," in pertinent part, as a promissory note.
2. The promissory notes issued by the Respondent constitute securities within the meaning of Idaho Code § 30-14-102(28).
3. Idaho Code § 30-14-301 provides that "It is unlawful for a person to offer or sell a security in this state unless: (a) The security is a federal covered security; (b) The security, transaction or offer is exempted from registration under sections 30-14-201 through 30-14-203, Idaho Code; or (c) The security is registered under this chapter."

4. Respondent's offer and sale of securities, without properly registering such securities in Idaho, constitutes a violation of Idaho Code § 30-14-301.

OFFER AND SALE OF SECURITIES BY UNREGISTERED AGENT

(Violation of Idaho Code § 30-14-402)

5. Idaho Code § 30-14-102(2) defines an "agent," in pertinent part, as an individual who represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.
6. Respondent's actions in selling promissory notes constitute an agent within the meaning of Idaho Code § 30-14-102(2).
7. Idaho Code § 30-14-402(a) Registration requirement. It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this chapter as an agent or is exempt from registration as an agent under subsection (b) of this section.
8. Respondent's offer and sale of securities, without properly registering as an agent in Idaho, constitutes a violation of Idaho Code § 30-14-402(a).

FRAUD

(Violation of Idaho Code § 30-14-501)

9. Pursuant to Idaho Code § 30-14-501, it is unlawful for any person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (2) To make an untrue statement of material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
10. Respondent misrepresented the investment by claiming:
 - a. The investment funds would be used for real estate.
 - b. The investors had little to no risk of losing their investment.
 - c. Some investors would receive a first position mortgage on the property.

- i. Investors who received a deed of trust were provided falsified documents.

11. Respondent failed to disclose:

- a. The investment funds would be used for:
 - i. Purchasing volatile stocks;
 - ii. Repaying prior investors;
 - iii. Negative bank balances;
 - iv. Payments to Faylor's family members; and
 - v. Faylor's own personal use.
- b. The last property Faylor owned was purchased in 2013 which he used as his personal residence.
- c. Faylor's prior history of not repaying investors as agreed.
- d. Faylor's financial condition.
- e. Faylor's lawsuits involving investors.
- f. Most of Faylor's prior investment properties have been foreclosed on.
- g. The security was not registered.
- h. The agent was not registered.

12. Respondent's misrepresentations and omissions of material facts in connection with the sale of a security constitute multiple violations of Idaho Code § 30-14-501(2).

NOTICES

13. Idaho Code § 30-14-604(a)(1) provides that if the Director determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act, the Director may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act.

14. Pursuant to Idaho Code § 30-14-604(b), such Order is effective on the date of issuance and will become final by operation of law if no hearing is requested within thirty (30) days after

service of the order. If a hearing is requested, it will be scheduled within fifteen (15) days of receipt of the request as required by Idaho Code § 30-14-604(b).

15. Idaho Code § 30-14-604(g) provides that noncompliance with this Order, and any final order, can be enforced through civil contempt proceedings.

16. Idaho Code § 30-14-604(d) provides that the Director may impose a civil penalty not to exceed five thousand dollars (\$5,000) for each violation in a final order issued.

17. Respondent is on notice that the Department seeks the entry of a civil penalty in the amount of \$20,000.

CEASE AND DESIST ORDER

The Director, having reviewed the foregoing, and good cause appearing therefor, hereby finds the Respondent has violated the Idaho Uniform Securities Act (2004), Idaho Code § 30-14-101 et seq., as alleged above.

Now, therefore, it is hereby ordered that Respondent shall CEASE AND DESIST from violations of the Idaho Uniform Securities Act (2004), and rules promulgated thereunder, to include: selling securities which were not registered with the Idaho Department of Finance; acting as an unregistered agent in the selling of securities; and engaging in securities fraud (by failing to disclose material facts in connection with the offer or sale of securities).

Respondent is ordered to pay a civil penalty of \$20,000, pursuant to Idaho Code § 30-14-604(d). The entry of the civil penalty will become final thirty (30) days after service of this Order if the Respondent does not request a hearing.

This Order is in the public interest, issued for the protection of investors, and consistent with the purposes of the Act.

THIS ORDER IS EFFECTIVE UPON ITS ISSUANCE.

IT IS SO ORDERED

DATED this 5th day of June, 2024.

STATE OF IDAHO
DEPARTMENT OF FINANCE



PATRICIA R. PERKINS, Director



NOTICE AND OPPORTUNITY FOR A HEARING

The Respondent shall take notice that if the Respondent wishes to contest the foregoing Order to Cease and Desist and Notice of the Opportunity for a Hearing (“Order”), the Respondents shall file a request for hearing pursuant to Idaho Code § 30-14-604(b) within thirty (30) days after the service of this Order. If the Respondent does not timely request a hearing and none is ordered by the Director within that time period, the Order, which may include a civil penalty or costs of the investigation, becomes final as to the Respondent by operation of law. If a hearing is timely requested or ordered, the Director, after notice of and opportunity for a hearing, may modify or vacate the Order or extend it until final determination. A hearing will be scheduled within fifteen (15) days after receipt of a timely request.

A request for a hearing must be made in writing and sent either by mail or by email as noted below:

Mail: **Attn: John Yaros**
 Securities Bureau Chief
 Idaho Department of Finance
 P.O. Box 83720
 Boise, Idaho 83720-0031

Email: **John.Yaros@finance.idaho.gov**

A copy of such request may also be served upon the Department's counsel, Amber Kauffman, Lead Deputy Attorney General, at amber.kauffman@ag.idaho.gov.

If the Respondent timely appeals this order, the Department will assign the contested case proceeding to the Office of Administrative Hearings pursuant to Idaho Code § 67-5280(2)(a). Subsequent proceedings in this matter will be conducted in accordance with the Idaho Administrative Procedure Act, Idaho Code § 67-5201 et seq. and the Idaho Rules of Administrative Procedure of the Attorney General (IDAPA 04.11.01).

If the Respondent requires any assistance of the kind the Department provides under the Americans with Disabilities Act (e.g. sign language interpreters, Braille copies of documents) in

order to participate in or understand these proceedings, the Department will supply such reasonable assistance upon an advance request.

Should this order become a final order, by operation of law or otherwise, then any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The agency will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. See Section 67-5246(4), Idaho Code.