

BEFORE THE
STATE OF WISCONSIN
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF SECURITIES

In the matter of,

SUMMARY ORDER TO CEASE AND
DESIST AND FOR REVOCATION

SCALES DYNASTY, LLC, and

NOTICE OF PROPOSED ORDER FOR
RESTITUTION AND CIVIL PENALTIES

SHAWNVEL SCALES

Respondents.

DFI Case No. S-239215 (EX)

I.

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities (“Division”), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 (“Ch. 551”) and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

II.

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

A. Findings of Fact

Respondents

1. SHAWNVEL SCALES is an adult male with a last known address of 1627 Taylor Avenue, Racine, WI 53403. At all times material, Shawnvel Scales (“Scales”) was the owner and controlling person of Scales Dynasty, LLC.
2. SCALES DYNASTY, LLC is a Wisconsin limited liability company organized on July 7, 2012 and is currently in a delinquent status. The last known address of Scales Dynasty is 1627 Taylor Avenue, Racine, WI 53403.

Conduct

3. According to Scales, Scales Dynasty is in the business of property management and real estate. As part of his real estate business, Scales through Scales Dynasty solicits investors to purchase interests in tax lien certificates (TLCs) for profit.
4. The Division has identified two Wisconsin persons and two non-Wisconsin persons who invested in TLCs through Scales and Scales Dynasty.
5. Typically, for the investors identified below, Scales emailed the investors a spreadsheet that presented one or more TLC selections for investment. The spreadsheet contained the purchase price of each TLC, the estimated return time (usually 3 to 9 months), and the amount of the return as a fixed dollar amount. The investor selected his investments from the list and wired the funds to Scales at Landmark Credit Union where Scales Dynasty's business account was located.
6. Scales was the only signatory on the Landmark Credit Union account, which he opened on July 26, 2016. Most, if not all, of the funds deposited into the Scales Dynasty account are attributable to investor wires and checks, and cash deposits.
7. The Division's investigation found no evidence of any tax lien certificates or tax lien deeds purchased by Scales on behalf of investors. Bank records demonstrate that Scales misused investor funds by repaying old investors with new investor monies, repaying investors with their own monies and using investor monies for his own personal benefit.

Investor JB

8. Investor JB of Racine, Wisconsin is an acquaintance of Scales. He is not an accredited investor.
9. In 2016, Scales informed JB of an investment opportunity called tax lien certificates with Scales' company, Scales Dynasty. Scales told JB that Scales would take monies on behalf of an investor and use those monies to purchase TLCs for the investor. Scales told JB that these TLCs are guaranteed by himself and Scales Dynasty. Scales represented to JB that he would profit from his investments, but Scales did not disclose any risks of investing in TLCs.
10. Based on Scales' representations, JB decided to invest in TLCs. He invested approximately \$33,000 with Scales and Scales Dynasty through largely cash deposits. He also told his friend, Investor CC, about the investments because he believed the investments were profitable.

11. According to bank records, investor JB received \$43,289.00 as “returns” for his investments with Scales and Scales Dynasty. However, most of the “returns” that Scales paid to Investor JB came from Investor CC’s investment funds, and thus were Ponzi-like payments.

Investor CC

12. Investor CC of Racine, Wisconsin was first introduced to Scales and TLCs through Investor JB. Scales informed CC that he would use investment monies to purchase TLCs for the investor. Scales represented that he had learned how to analyze tax records and knew how to identify the best TLCs for investment purposes. Scales said he had acquired TLCs for properties located in other states such as California and Florida, and had invested in TLCs himself. Scales told CC that the TLCs are guaranteed by himself and Scales Dynasty, and that CC would profit from his investments. After an in person meeting in 2016 with Scales and Investor JB, CC decided to invest for the first time.
13. Before CC invested with Scales and Scales Dynasty, Scales did not disclose to Investor CC any risks of investing in TLCs. When Scales provided a list of TLCs for CC to choose from, Scales did not disclose where the properties were located or how he determined the price or projected profits. Scales did not disclose his criminal history to CC at any time, which included a felony conviction for criminal damage to property for which he served 240 days in jail.
14. Investor CC invested a total of \$200,336.49 with Scales and Scales Dynasty over seven months, starting with \$15,000 wired on October 18, 2016 to the Scales Dynasty account at Landmark Credit Union and ending with \$20,400 wired on May 31, 2017. In each instance, Scales represented to Investor CC that his investment funds would be used to purchase specific TLCs selected by Investor CC, that Investor CC would receive a specific return of principal and profit by a date certain, and that the return of principal and profits was guaranteed by Scales and Scales Dynasty.
15. The individual TLC investment transactions of Investor CC with Scales and Scales Dynasty included:
 - a. 10/18/16: \$15,000 in exchange for three TLCs offering a profit of \$6,426.69 due in March 2017. Bank account records indicate these funds were not invested in TLCs, but were actually used to pay WE Energies \$4,600; City of Racine \$2,706 and T. Williams \$8,750.
 - b. 11/18/16: \$41,000 in exchange for one TLC offering a profit of \$28,000 due in July 2017. Bank records indicate these funds were not invested in TLCs, but were actually used to pay S. Scales \$7,200; Investor JB \$5,000; Racine

Vocational Ministries \$750; City of Racine \$6,697.69; WE Energies \$1,934.33; City of Racine \$2,800; JL Storage \$307.50; and cash withdrawals and transfers to Scales' personal checking account in the amount of \$6,530.

- c. 12/27/16: \$17,502 in exchange for one TLC offering a profit of \$5,000 due in February 2017.
- d. 1/10/17: \$502.49 in exchange for one TLC offering a profit of \$500.51 due in March 2017. Bank records indicate the funds deposited in December 2016 and January 2017 were not invested in TLCs, but were actually used for cash withdrawals \$3,440; payments to WI Surplus Auction \$3,074.19; T. Armstrong \$1,212.87; Investor JB \$8,859; S. Scales \$1,260; and purchases at various retail businesses.
- e. 2/13/17: \$25,000 in exchange for one TLC offering a profit of \$14,100 due in June 2017. Bank records indicate the funds were not invested in TLCs, but were actually used to pay Investor CC \$22,501.22 as his "returns" for his previous investment on 12/27/16; and for cash withdrawals and purchases made at various retail businesses.
- f. 2/28/17: \$2,032 in exchange for two TLCs, one due in August and one due in December of 2017, offering a total profit of \$3,800. Bank records indicate these funds (along with an infusion of \$2,700 from Investor TB) were not invested in TLCs, but were actually used to pay Investor CC \$2,152.49 as "returns" for his previous investments on 1/10/17 and 2/28/17; Investor JB \$315; and purchases at various retail businesses.
- g. 3/17/17: \$78,900 in exchange for two TLCs, one due in May 2017 and one due in February 2018, offering a total profit of \$53,111. Bank records indicate the funds were not invested in TLCs, but were actually used to pay Investor CC \$21,425.92 as "returns" for his previous investment on 10/18/16; Investor JB \$20,460; City of Racine \$1,364.33; City of Racine \$2,125.65; \$4,235.73; Racine Water & Waste Water \$287.72; Racine Water & Waste Water \$709.30; Let Me Drive LLC \$10,425; and purchases at various retail businesses.
- h. 5/31/17: \$20,400 in exchange for four TLCs offering a total profit of \$9,600 due in September 2017. Bank records indicate the funds were not invested in TLCs, but were actually used to pay Investor CC \$28,000 as "returns" for his previous investment on 11/18/16; JL Storage \$177.50; numerous cash withdrawals, transfers, payments made via Square to various persons, and purchases made at various retail businesses.

16. Investor CC received a total of \$74,329.63 as "returns" of principal and/or profit for his TLC investments with Scales and Scales Dynasty. The source of most of the funds

which generated the returns was Investor's CC own money—not profits generated from any investments.

Investors TLB and NA

17. Investor TLB of Suwanee, Georgia is Investor JB's adult daughter. TLB is not an accredited investor.
18. TLB decided to invest in TLCs with Scales because her father had apparently received returns from Scales for his TLC investments. Between November 2016 and April 2017, TLB invested a total of \$17,510 with Scales and Scales Dynasty to acquire interests in TLCs. As with Investor CC, TLB's investment funds were exhausted through various expenditures for the benefit of Scales.
19. Investor NA of Suwanee, Georgia is the boyfriend of Investor TLB. On February 7, 2017, he wired \$1,700 to the Scales Dynasty Landmark Credit Union account for the purpose of investing in a TLC jointly with TLB. He also is not an accredited investor.
20. In each instance in which a person acquired an interest in a TLC, the investor invested in a common enterprise managed by Scales and Scales Dynasty. Other than selecting the TLC from a list provided by Scales, the investor had no practical and actual control or decision-making authority over how the investment was managed. Further, each investor had a reasonable expectation of profits to be derived through the essential managerial efforts of Scales and Scales Dynasty.
21. In each instance in which an investor acquired an interest in a TLC, the investor furnished value to Scales and Scales Dynasty which was subjected to the risks of the enterprise, and was induced by Scales' representations and promises which gave rise to a reasonable understanding that the investor would receive value over and above the initial value. Further, the investor did not receive the right to exercise practical and actual control over the managerial decisions of the enterprise.
22. The tax lien certificates have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
23. At no time were Scales or Scales Dynasty registered with the Division in any capacity.

B. Conclusions of Law

Legal Authority and Jurisdiction

24. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Wis. Stats. Ch. 551 and the rules and orders promulgated thereunder.

25. The tax lien certificates offered and sold by Scales and Scales Dynasty to Investors JB, CC, TLB and NA were securities under Wis. Stat. § 551.102(28).
26. Scales Dynasty LLC was an issuer of securities as defined by Wis. Stat. § 551.102(17).
27. Shawnvel Scales transacted business as an agent of an issuer as defined under Wis. Stat. § 551.102(2) and DFI Sec. 1.02(5), Wis. Admin. Code.
28. Pursuant to Wis. Stat. § 551.402(4), it is unlawful for an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of issuers unless the agent is registered under Wis. Stat. § 551.402(1) or exempt from registration under Wis. Stat. § 551.402(2).
29. Pursuant to Wis. Stat. § 551.402(1), it is unlawful for a person to transact business in Wisconsin as an agent unless the person is registered under Ch. 551 as an agent or is exempt from registration as an agent under Wis. Stat. § 551.402(2).
30. Pursuant to Wis. Stat. § 551.301, it is unlawful for a person to offer or sell a security in this state unless the security is registered in this state or is an exempt or covered security.
31. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly, to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
32. Pursuant to Wis. Stat. § 551.501(1), it is unlawful for a person, in connection with the offer, sale or purchase of a security, directly or indirectly, to employ a device, scheme or artifice to defraud.

Violations

33. Through the conduct described above, Scales violated Wis. Stat. § 551.402(1) by transacting business as an agent of an issuer in Wisconsin without being registered as an agent under Ch. 551 or exempted from registration as agents under Wis. Stat. § 551.402(2).
34. Through the conduct described above, all Respondents violated Wis. Stat. § 551.301 by offering and selling unregistered securities in this state to a Wisconsin investor.

35. Through the conduct described above, Scales Dynasty LLC violated Wis. Stat. § 551.402(4) when it engaged in the offering and selling of securities in Wisconsin by employing an agent, Shawnvel Scales, who was not registered under Wis. Stat. § 551.402(1) nor exempted from registration under Wis. Stat. § 551.402(2).
36. Through the conduct described above, the Respondents violated Wis. Stat. § 551.501(2) by, in connection with the offer and sale of securities, directly or indirectly, making untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, including by making untrue statements about how investor funds would be used, the existence of fictitious tax lien certificates, and failing to disclose Scales' criminal history.
37. Through the conduct described above, the Respondents violated Wis. Stat. § 551.501(1) by conducting their business, in connection with the offer and sale of securities, so as to operate a fraud and deceit upon the investors.

III.

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to wit Wis. Stat. § 551.604, to issue the following orders and notices:

A. Summary Orders issued pursuant to Wis. Stat. § 551.604(2)

- (a) IT IS ORDERED that RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551 or successor statute, pursuant to Wis. Stat. §§ 551.604(1)(a) and (2).
- (b) IT IS FURTHER ORDERED that all exemptions from registration set forth at Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by any of the RESPONDENTS, their agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of any RESPONDENT, are hereby revoked, pursuant to Wis. Stats. §§ 551.604(1)(b) and (2).
- (c) IT IS FURTHER ORDERED that RESPONDENTS, their successors, affiliates, controlling persons, officers, agents, servants, employees and every entity and person

directly or indirectly controlled or hereafter organized by or on behalf of any RESPONDENT, are prohibited from violating Wis. Stat. § 551.501 or successor statute.

- (d) PLEASE TAKE NOTICE that the summary orders of the Administrator are effective as of the issuance of this order, pursuant to Wis. Stat. § 551.604(2). You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

B. Proposed Orders

- (e) IT IS PROPOSED that an order be issued against SHAWNVEL SCALES and SCALES DYNASTY LLC, to jointly and severally pay restitution to Investor CC in the amount of **\$126,256.86**, with interest on such amount at the legal rate under Wis. Stat. § 138.04, starting from the date of each sale to Investor CC through the date of satisfaction, pursuant to Wis. Stat. § 551.604(4m).
- (f) IT IS FURTHER PROPOSED that an order be issued imposing a civil penalty against SHAWNVEL SCALES AND SCALES DYNASTY LLC, jointly and severally, in the form of an administrative assessment totaling **\$5,000** for the many violations committed against the investors, pursuant to Wis. Stat. § 551.604(4). Such payment shall be made payable to the Wisconsin Department of Financial Institutions and shall be remitted to the Division no later than 30 calendar days from the date of issuance of this Order, or if a petition for a hearing is filed as provided under Wis. Stat. § 551.604(2), by a date to be fixed by a final order.

C. Service of Order

- (g) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec. 8.06. This order shall also be served upon the office of the administrator pursuant to Wis. Stat. § 551.611.
- (h) PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail if service is by certified mail. If a party or the party's attorney is personally served, the date of service is the date service is completed. You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

D. Notice of Hearing Rights

- (i) PLEASE TAKE NOTICE that you have the right to request a hearing pursuant to Wis. Stat. § 551.604(2). Every request for a hearing shall be in the form of a written petition

filed with the Division, pursuant to Wis. Admin. Code § DFI-Sec. 8.01 and Wis. Stat. § 227.42. A petition for a hearing to review the order shall:

- (1) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and
- (2) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.

(j) PLEASE TAKE FURTHER NOTICE that you may file your written petition:

- (1) By mailing the written petition to:

Division of Securities
Wisconsin Department of Financial Institutions
P.O. Box 1768
Madison, Wisconsin 53701-1768

- (2) By delivering the written petition in person to:

Division of Securities
Wisconsin Department of Financial Institutions
4822 Madison Yards Way, North Tower, 4th Floor
Madison, Wisconsin 53705

- (3) By faxing the written petition to 608-264-7979.

(k) PLEASE TAKE FURTHER NOTICE that the petition for hearing must be filed with the Division. Pursuant to Wis. Stat. § 551.102(8), "filing" means "receipt." Therefore, a petition is not "filed" with the Division until it is actually "received" by the Division. If the Division does not receive your written petition before midnight on the 30th day after the date of service of this order, your right to a hearing will be waived and the Summary Order shall become final by operation of law.

(l) PLEASE TAKE FURTHER NOTICE that, within 15 days after receipt of a request in a record from you, the matter will be scheduled for a hearing or other public administrative proceedings, pursuant to Wis. Stats. §§ 551.604(2) and (3).

(m) PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary and proposed orders, including the

imposition of civil penalty and restitution and interest, become final as by operation of law, pursuant to Wis. Stat. §551.604(2).

- (n) PLEASE TAKE FURTHER NOTICE that any willful violation of an Order by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

EXECUTED at Madison, Wisconsin, this 2nd day of January, 2020.



Leslie M. Van Buskirk

Leslie M. Van Buskirk
Administrator

Division of Securities
State of Wisconsin
Department of Financial Institutions
201 West Washington Avenue, Suite 300
Madison, Wisconsin 53703



State of Wisconsin
Department of Financial Institutions

Tony Evers, Governor

Kathy Blumenfeld, Secretary

**AFFIDAVIT OF SERVICE
AND COMPLIANCE WITH WIS. STAT. § 551.611**

STATE OF WISCONSIN)
) ss.
COUNTY OF DANE)

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.
2. In compliance with Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07, I have caused to be served copies of the documents below upon the Administrator for the Division of Securities:
 - i. A copy of the Summary Order to Cease and Desist and for Revocation & Notice of Proposed Order for Restitution and Civil Penalties, DFI Case No. S-239215 (EX); and
 - ii. A copy of this Affidavit of Service.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Katherine Clementi

KATHERINE CLEMENTI

State of Wisconsin
Department of Financial Institutions
Division of Securities

Subscribed and sworn to before me

This 9th day of January, 2020.

Robin S. Jacobs

Notary Public, State of Wisconsin

My commission is permanent.

