

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
OF THE STATE OF TENNESSEE AT NASHVILLE**

TENNESSEE SECURITIES DIVISION,)	
Petitioner)	
)	Order No. 05-001
vs.)	
)	
DIXON INSURANCE AGENCY AND)	
PEGGY DIXON,)	
Respondents)	

CONSENT ORDER

The Tennessee Securities Division (“Division”) and Dixon Insurance Agency and Peggy Dixon, Respondents herein, agree to the entry of this Consent Order in accordance with Tenn. Code Ann. § 48-2-116 of the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (“Act”), which states that the Commissioner of Commerce and Insurance (“Commissioner”) from time to time may make such orders as are necessary to carry out the provisions of the Act.

GENERAL STIPULATIONS

1. It is expressly understood that this Consent Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.

2. This Consent Order is executed by the Respondents for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and

consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondents for acts or omissions not specifically addressed in this Consent Order for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. The Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner for the Department of Commerce and Insurance or any other state government representative against the Respondents for violations of law under other statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the execution of this Consent Order by the Respondents.

5. Respondents expressly waive all further procedural steps, and expressly waive all rights to seek judicial review of or to otherwise challenge or contest the validity of the Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. § 48-2-101, et seq. (the "Act"), places the responsibility for the administration of the Act on the Commissioner of Commerce and Insurance ("Commissioner"). The Division is the lawful

agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-2-115.

2. Dixon Insurance Agency (“DIA”) is a business entity with its principal place of business located at 202 North Military Avenue, Lawrenceburg, Tennessee 38464. DIA has never been registered with the Division in any capacity pursuant to the Act.

3. Peggy Dixon (“Dixon”) is a citizen and resident of Tennessee who maintains an address at 1958 Shawnettee Rd., Collinwood, TN 38450. Dixon is an owner or affiliate of Dixon Insurance Agency. Dixon is believed to be an employee, agent, officer, director, owner or other affiliated person of McCarn’s Allstate Finance, Inc. (“MAF”). Dixon was not and is not registered with the Division in any capacity pursuant to the Act.

Sale to Eugene Mashburn

4. On September 22, 2000, Eugene Mashburn went out to dinner with his brother, Ronald Mashburn. Ronald Mashburn told his brother about an investment that he thought was a good and safe investment. The investment opportunity was a high-interest promissory note available through MAF.

5. Eugene Mashburn met with Raymond Mercer (“Mercer”), who was a business associate of Ronald Mashburn (“Mashburn”), and Mashburn at Dixon Insurance Agency.

6. Mercer and Mashburn told Eugene Mashburn that the investment paid 9% interest and was insured by other insurance companies. Eugene Mashburn was told that the money he invested was supposed to be used to loan to car dealers and that there was no risk. Eugene Mashburn was told that the investment through MAF was heavily insured. The statements made to Eugene Mashburn by Mercer and Mashburn were untrue.

7. On September 28, 2000, Mercer faxed papers to Dixon Insurance Agency related to MAF. The papers included a promissory note. Eugene Mashburn invested \$71,208.51 in the MAF promissory note. Dixon completed the paperwork necessary for the original investment. Dixon signed the Agreement of Understanding as the "investment counselor." The note was renewed once on June 28, 2001.

8. Dixon received a commission from MAF through Mercer for the sale and referral. Both Dixon and Mashburn shared in the commission.

Sale to Bonnell Short

9. Bonnell Short is a citizen and resident of the State of Tennessee. Bonnell Short was a client of Peggy Dixon and Dixon Insurance Agency.

10. On May 4, 2001, Dixon and Mercer spoke with Mrs. Short about the MAF investment opportunity. Mrs. Short wrote a check (#100553) for \$55,000.000 to invest in the MAF high-interest promissory note program.

Sale to Roy Smith

11. Roy Smith is a citizen and resident of the State of Tennessee.

12. While visiting with Mercer regarding a Medicare supplement policy, Mercer told Mr. Smith about the MAF investment opportunity. On January 9, 2001, Mr. Smith wrote check #2193 in the amount of \$50,000.00 to invest in the MAF high-interest promissory note program.

13. The paperwork was completed by Dixon. The "New Business Transmittal" document indicates that the producers were Dixon and Mercer.

14. On January 29, 2002, Peggy Dixon received a commission check from Capital Funding Resources, L.L.C., a business belonging to Mercer, in the amount of \$2,268.87. The notation on the check indicates the commission is related to the investment and/or renewal of investment of Roy Smith.

Sales to Helen and Hollis King

15. Helen and Hollis King (“King’s”) are citizens and residents of the State of Tennessee. The King’s are clients of Dixon and Dixon Insurance Agency.

16. On February 12, 2001, Mercer and Dixon spoke with the King’s regarding an investment opportunity through MAF. The King’s wrote check #7081 in the amount of \$50,000.00 to invest in the MAF high-interest promissory note program. On July 9, 2001, the Kings spoke with Mercer and Dixon in regard to making an additional investment through MAF. On July 9, 2001, the King’s wrote check #7229 in the amount of \$80,000.00 to invest in the MAF high-interest promissory note program.

17. The Agreement of Understanding for the February 2001 investment lists Peggy Dixon as the “investment counselor”; the Agreement of Understanding for the July 2001 investment lists Peggy Dixon and Ray Mercer as “investment counselor[s].” The Purchaser’s Receipt and Notice to Purchaser related to the July 2001 investment is signed by Dixon.

18. The King’s filed a private lawsuit against Dixon and Mercer. A settlement was reached in which Dixon paid \$15,000.00 to the King’s; the settlement agreement also provided that Mercer pay \$12,000.00 to the King’s.

19. The MAF promissory notes are a security under the Act. At the time of all of

the sales or offers to sell mentioned herein, the MAF promissory notes were not registered with the Division pursuant to the Act. At the time of the sales or offers to sell mentioned herein, Dixon was not a registered agent or broker-dealer with the Division pursuant to the Act.

20. Dixon did not inform the investors that the promissory notes were securities under the Act, and as such, they were required to be registered with the Division.

21. Dixon did not inform the investors that MAF was the subject of Cease and Desist Orders from various states; nor did Dixon inform investors that MAF was the subject of ongoing securities violations investigations.

22. Dixon offered to sell and sold MAF high-interest promissory notes to each of the investors discussed herein above, which notes were securities under the Act, at a time when Dixon was not registered with the Division pursuant to the Act as a broker-dealer or agent of a broker-dealer. Dixon offered to sell and sold MAF high-interest promissory notes, which notes were securities required to be registered under the Act, at a time when the promissory notes were not registered with the Division pursuant to the Act.

CONCLUSIONS OF LAW

23. Pursuant to Tenn. Code Ann. §48-2-115(a), the responsibility for administration of the Act is upon the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

24. Tennessee Code Annotated §48-2-104(a) provides that it is unlawful for any person to sell any security in this state unless (1) it is registered, (2) the security or

transaction is exempted under Tenn. Code Ann. §48-2-103, or (3) the security is a covered security.

25. Tennessee Code Annotated §48-2-109(a) provides that it is unlawful for any person to transact business from or in this state as a broker-dealer or agent or investment advisor unless such person is registered as a broker-dealer or agent or investment advisor under this part.

26. Tenn. Code Ann. § 48-2-121(a) states that it is unlawful for any person, in connection with the offer, sale or purchase of any security in this state, directly or indirectly, to: (1) employ any device, scheme, or artifice to defraud; (2) make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or (3) engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

27. The averments in paragraphs two – twenty-two of this Consent Order constitute practices by Peggy Dixon and Dixon Insurance Agency, which would provide grounds under Tenn. Code Ann. § 48-2-104 for the entry of an order of sanctions against Peggy Dixon and Dixon Insurance Agency.

28. The averments in paragraphs two – twenty-two of this Consent Order constitute practices by Peggy Dixon and Dixon Insurance Agency, which would provide grounds under Tenn. Code Ann. § 48-2-109(a) for the entry of an order of sanctions against Peggy Dixon and Dixon Insurance Agency.

29. The averments in paragraphs two – twenty-two of this Consent Order constitute practices by Peggy Dixon and Dixon Insurance Agency, which would provide grounds under Tenn. Code Ann. § 48-2-121 for the entry of an order of sanctions against Peggy Dixon and Dixon Insurance Agency.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and the Respondents' waivers of right to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-101 et seq., and the Respondents' admissions of jurisdiction of the Commissioner, the Commissioner finds that Respondents, Dixon Insurance Agency, by and through Peggy Dixon, and Peggy Dixon, Individually, for the purpose of settling this matter, admit the matters herein, have agreed to the entry of this Order and that the following Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to Tennessee Code Annotated §48-2-116(a) of the Tennessee Securities Act that:

1. Respondents ARE ORDERED AND AGREE to fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;
2. Respondents ARE ORDERED AND AGREE to permanently cease and desist in further conduct as a broker-dealer and/or agent of a broker-dealer from, into, or in the State of Tennessee.
3. Respondents ARE ORDERED AND AGREE to permanently cease and desist offering to sell or selling securities from, into, or in the State of Tennessee.

4. Respondents ARE ORDERED AND AGREE to permanently cease and desist from committing violations of the Tennessee Securities Act of 1980, as amended.

5. Respondents ARE ORDERED AND AGREE that should any Respondent seek registration with the Division as a broker-dealer, agent of a broker-dealer, investment adviser, or agent of an investment adviser, such Respondent shall state on Form U-4 this action, pursuant to the instructions of said form and as required by the NASD, and file the appropriate Disclosure Reporting Page to disclose the details of this filed administrative action. Respondents ARE FURTHER ORDERED AND AGREE that disclosure of the existence and terms of this Consent Order shall be disclosed in any offer to sell, private placement memoranda, or other sales tool which in any manner relates to the issuance, sale, or offer to sell a security.

6. Respondents, Dixon Insurance Agency and Peggy Dixon, Individually and as owner of Dixon Insurance Agency, jointly and severally, are hereby ORDERED TO DISGORGE profits related to the sales mentioned herein as follows:

Eugene Mashburn Sale:	\$800.00;
Eugene and Betty Mashburn 170 Shackelford Rd. Leoma, TN 38468	
Bonnell Short Sale:	\$2,200.00;
Bonnell Short 1504 Ann St. Lawrenceburg, TN 38464	
Roy Smith Sale:	\$2,268.87;
Roy Smith, Jr. 1800 W. Gaines St. Lawrenceburg, TN 38464.	

Said disgorged funds shall be paid to each investor as indicated as partial restitution. Said disgorged funds shall be due and paid in full no later than February 15, 2005. Payment in the form of a money order or cashier's check shall be mailed or delivered to each investor at the address listed above. Proof of such payment shall be mailed or delivered within 10 days of payment to:

Securities Division
Attention: Michele K. Elliott, Staff Attorney
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

7. Respondents, jointly and severally, ARE ORDERED AND AGREE to pay fifteen hundred dollars (\$1,500.00) to the State of Tennessee Investor Education Fund. Said sum shall be due and paid in full no later than February 15, 2005. Payment in the form of a money order or cashier's check, made payable to the State of Tennessee Investor Education Fund, shall be mailed or delivered to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Michele K. Elliott, Staff Attorney
500 James Robertson Parkway, 5th Floor
Nashville, Tennessee 37243.

8. Respondents, jointly and severally, are hereby **ASSESSED** a civil penalty in the amount of twenty-five hundred dollars (\$2,500.00). Said sum shall be due and paid in full no later than February 15, 2005. Payment in the form of a money order or cashier's check, made payable to the State of Tennessee, shall be mailed or delivered to:

State of Tennessee
Department of Commerce and Insurance
Securities Division
Attention: Michele K. Elliott, Staff Attorney
500 James Robertson Parkway, 5th Floor

Nashville, Tennessee 37243.

9. Respondents hereby AGREE AND ACKNOWLEDGE AND IT IS ORDERED that failure to comply with all of the requirements and prohibitions contained in this Order shall result in the denial of any application by Respondents for any registration and/or licensure of any type, which registration and/or licensure is administered by the Division of Securities and/or the Department of Commerce and Insurance.

Execution of this Consent Order is due on or before January 7, 2005.

IT IS ORDERED that this Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Securities Division against Peggy Dixon and Dixon Insurance Agency for violations of the Tennessee Securities Act of 1980, as amended, alleged to have occurred with respect to facts contained herein. Nothing herein may be construed as preventing a separate division or section of the Department of Commerce and Insurance or a separate entity of the State of Tennessee from taking other appropriate action against the Respondents based on the Findings of Fact and Conclusions of Law enumerated herein or the existence of this executed Consent Order.

This Consent Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties and is for settlement purposes only. By the signatures affixed below, Peggy Dixon and Dixon Insurance Agency affirmatively state that each has freely agreed to the entry of this Consent Order, that each waives the right to a hearing on the matters underlying this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained

herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 10th day of January, 2005.

Paula A. Flowers
Paula A. Flowers, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Peggy Dixon
Peggy Dixon, Individually

Daphne D. Smith
Daphne D. Smith,
Assistant Commissioner for Securities
Department of Commerce and Insurance

Peggy Dixon
Peggy Dixon,
As Representative for Dixon Ins. Ag.

Michele K. Elliott
Michele K. Elliott (BPR#022618)
Staff Attorney
Department of Commerce and Insurance
500 James Robertson Parkway, Fifth Floor
Nashville, Tennessee 37243
(615) 741-2199