STATE OF NORTH CAROLINA

Department of The Secretary of State

THE NORTH CAROLINA SECURITIES DIVISION,	)	
Petitioner,	)	**TEMPORARY ORDER**
	)	**TO CEASE AND**
	)	**DESIST VIOLATIONS**
vs.	)	**OF THE SECURITIES**
J. V. HUFFMAN, JR., and BILTMORE FINANCIAL GROUP, INC.,	)	**ACT**
Respondents.	)	**FILE NO. 08-SEC-024**

PURSUANT TO THE AUTHORITY granted by Chapter 78A of the North Carolina General Statutes (the North Carolina Securities Act), hereinafter the "Securities Act," and the rules promulgated thereunder, the Securities Division of the Department of

the Secretary of State, hereinafter referred to as the "Division," has investigated the activities of **J. V. HUFFMAN, JR.,** and **BILTMORE FINANCIAL GROUP, INC.,** hereinafter referred to as Respondents, to determine if these Respondents or any one of them, has engaged in, or is about to engage in, any act or practice constituting a violation of the Securities Act or any rule or order thereunder.

THE DIVISION has filed an Administrative Petition against the above-named Respondents seeking, among other remedies, a temporary and summary Cease and Desist Order as to each Respondent pursuant to the provisions of N.C.G.S. §78A-47(b)(2).

THE SECRETARY OF STATE, acting by and through her duly authorized Deputy Securities Administrator, from the investigation and the information derived therein, as shown in the Administrative Petition and supported by affidavit, and for the protection and preservation of the public welfare and in the public interest, makes the following:

FINDINGS OF FACT

(1) Respondent **J. V. HUFFMAN, JR.**, hereinafter "Respondent Huffman," resides in Catawba County, North Carolina. Respondent Huffman was previously registered with the Administrator as a securities salesman pursuant to the Securities Act prior to October 1991, but has not been registered since that time.

(2) Respondent **BILTMORE FINANCIAL GROUP, INC.**, hereinafter "Respondent Biltmore," is a North Carolina corporation under the primary ownership and control of Respondent Huffman. Respondent Huffman incorporated Respondent Biltmore in November 1991. Respondent Biltmore has never been registered as securities dealer under the Securities Act.

(3) Respondent Biltmore and Respondent Huffman have offered, continue to offer, have sold and continue to sell, to persons in North Carolina the opportunity to "invest" or "lend" money to Respondents for the purpose of investing in the business conducted by Respondents. Respondents have entered and continue to enter into written contractual agreements taking the form of promissory notes with an indefinite term and a variable rate of interest based upon alleged earnings of Respondents in their business activities. These activities are continuing at the present time.

(4) Respondents refer to persons who loan money to them as "investors," "creditors" or "lenders." Respondents describe money obtained from these persons as being in "accounts" in documents and correspondence. The "accounts" appear to be statements of monies received, interest payments credited and money paid back to investors by Respondents rather than any segregated funds or assets.

(5) Respondents represent to persons solicited in North Carolina that Respondents use the funds provided by investors to engage in the purchase and resale of promissory notes secured by mortgages or deeds of trust upon real estate. Respondents claim their profits arise from the difference between purchase price and resale price of these instruments. Respondents claim the income from this business, after operating expenses, has allowed Respondents to pay at least 8% per year since 1991 and that in most years the interest paid to investors exceeds 10%.

(6) The Respondents use a written agreement, "the Agreement," that constitutes a promissory note from Respondent Biltmore as issuer, signed by Respondent Huffman, promising to repay an investor on demand.

(7) The Agreement, whether construed as a "promissory note," an "investment contract" or a "certificate of interest or participation in any profit-sharing agreement," is a "security" within the meaning of N.C.G.S. §78A-2(11).

(8) Respondents have never registered any form of the Agreement for sale in North Carolina as required by N.C.G.S. §78A-24. Respondents Huffman and Biltmore, have in the past and continuing at the present time, offer and sell the securities of Respondent Biltmore to persons in North Carolina without registration with the Administrator in violation of N.C.G.S. §78A-24.

(9) Respondent Biltmore, as the "issuer" of the Agreement, and Respondent Huffman, as the controlling person of Respondent Biltmore, have in the past and continuing at the present time, act as securities dealers within the meaning of N.C.G.S. §78A-2(2) by offering to sell and selling securities of Respondent Biltmore in the form of the Agreement.

(10) Respondents have violated and continue to violate N.C.G.S. §78A-36 by failing to register with the Administrator as securities dealers.

(11) It is in the public interest of the citizens of North Carolina and for the protection of investors that each Respondent be prohibited from violating the provisions of the Securities Act in connection with selling or making offers to sell securities, buying or soliciting offers to buy securities, transacting business as a securities dealer, including, but not limited to, being prohibited from offering to sell or selling the unregistered securities of Respondent Biltmore.

CONCLUSIONS OF LAW

(1) The Secretary has statutory authority pursuant to N.C.G.S. §78A-47(b)(2) to enter and issue a temporary and summary Cease and Desist Order against each Respondent to halt further violations of the Securities Act.

(2) There is reasonable cause to believe each Respondent has engaged in willful violations of the Securities Act, specifically N.C.G.S. §78A-24 and §78A-36.

(3) There is reasonable cause to believe each Respondent may continue to commit acts and omissions in violation of the Securities Act.

(4) It is necessary and appropriate for the protection and preservation of the public interest that each Respondent be summarily ordered to cease and desist from making offers and sales of securities in violation of the Securities Act.

(5) The public interest would be irreparably harmed by the delay inherent in issuing an order under the provisions of N.C.G.S. §78A-47(b) (1).

NOW, THEREFORE, IT IS ORDERED, pursuant to the authority contained in N.C.G.S. §78A-47(b) (2), that:

a. each Respondent, and any person, employee, officer, director, entity or independent contractor under the direction or control of each Respondent, shall immediately cease and desist offering for sale, soliciting offers to purchase, or selling, any securities of any issuer, howsoever denominated, including, but not limited to the securities of Respondent Biltmore, unless and until such securities shall have been registered pursuant to the provisions of the Securities Act; and

b. Respondent Biltmore, Respondent Huffman and any person, employee, officer, director, entity or independent contractor under the direction or control of either Respondent, shall immediately cease and desist offering or soliciting offers to purchase, or selling, any securities of any issuer, howsoever denominated, including, but not limited to the securities of Respondent Biltmore, unless and until each Respondent and any person under their respective control or direction is properly registered as a securities dealer or salesman under the provisions of the Securities Act.

NOTICE IS HEREBY GIVEN that each Respondent may request a hearing upon this matter by transmitting such request, in writing, to David S. Massey, Deputy Securities Administrator, Securities Division, Department of the Secretary of State, Post Office Box 29622, Raleigh, North Carolina 27626-0622. A copy of any such request shall be served by first class mail upon Blackwell M. Brogden, Jr., Enforcement Attorney, Securities Division, Post Office Box 29622, Raleigh, North Carolina 27626-0622. If such a request is made, this matter shall be scheduled for hearing in accordance with Chapter 150B of the North Carolina General Statutes within twenty (20) days after receipt by the Deputy Securities Administrator of the written request. If no request for hearing, other responsive pleading, or submission is received by the Deputy Securities Administrator within thirty (30) business days of the receipt of service hereof, this Temporary Order To Cease and Desist shall become final and remain in effect as to each

Respondent that fails to request a hearing unless it is modified or vacated by the Secretary of State in her capacity as Administrator of the Securities Act and the Investment Advisers Act.

WITNESS MY HAND AND THE OFFICIAL SEAL of the North Carolina Department of the Secretary of State, this the 6th day of November, 2008.

Time of entry: 12:06 P. M.

ELAINE F. MARSHALL
SECRETARY OF STATE
OF NORTH CAROLINA and
Securities Administrator

By: David S. Massey
David S. Massey
Deputy Securities Administrator

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