

RECEIVED
BEFORE THE ARIZONA CORPORATION COMMISSION

1
2 WILLIAM A. MUNDELL
Chairman
3 JIM IRVIN
Commissioner
4 MARC SPITZER
Commissioner
5

2001 OCT -5 P 2:09

AZ CORP COMMISSION
DOCUMENT CONTROL

NEW

6 In the matter of:

) Docket No. S-03469A-01-0000

7 CREATIVE FINANCIAL FUNDING, L.L.C.
125 S. 52nd Street
8 Tempe, AZ 85281

) **TEMPORARY ORDER TO CEASE AND
DESIST AND NOTICE OF
OPPORTUNITY FOR HEARING**

9 AMERICAN MONEY POWER, INC.
dba MONEY POWER
10 125 S. 52nd Street
11 Tempe, AZ 85281

12 FEDERAL CAPITAL, L.L.C.
6870 E. Horned Owl Trail
13 Cave Creek, AZ 85331

14 CORPORATE FIDUCIAL SERVICES, INC.
6120 N. 16th Street
15 Phoenix, AZ 85016

16 U.S. FEDERAL FINANCIAL
CORPORATION
17 125 S. 52nd Street, Suite 100
18 Tempe, AZ 85281

19 PAUL J. MEKA
10038 North 58th Place
20 Scottsdale, AZ 85253

21 LARRY DUNNING
5635 E. Lincoln Dr. #23
22 Paradise Valley, AZ 85253

23 ROBERT K. REHM
6870 E. Horned Owl Trail
24 Cave Creek, AZ 85331

25 TOM GAFFNEY
26 125 S. 52nd Street, Suite 100
Tempe, AZ 85281

1 DERRECK MANTEAU)
2 125 S. 52nd Street, Suite 100)
3 Tempe, AZ 85281)
4 Respondents.)

5 **NOTICE: THIS ORDER IS EFFECTIVE IMMEDIATELY**
6 **EACH RESPONDENT HAS 20 DAYS TO REQUEST A HEARING**

7 The Securities Division ("Division") of the Arizona Corporation Commission
8 ("Commission") alleges that CREATIVE FINANCIAL FUNDING, L.L.C., AMERICAN
9 MONEY POWER, INC. dba MONEY POWER, FEDERAL CAPITAL, L.L.C., CORPORATE
10 FIDUCIAL SERVICES, INC., U.S. FEDERAL FINANCIAL CORPORATION, PAUL J.
11 MEKA, LARRY DUNNING, ROBERT K. REHM, TOM GAFFNEY and DERRECK
12 MANTEAU engaged in or are about to engage in acts and practices that constitute violations of
13 A.R.S. § 44-1801, *et seq.*, the Securities Act of Arizona ("Securities Act"), and that the public
14 welfare requires immediate action.

15 **I.**
16 **JURISDICTION**

17 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
18 Arizona Constitution and the Securities Act.

19 **II.**
20 **RESPONDENTS**

21 2. CREATIVE FINANCIAL FUNDING, L.L.C. ("CREATIVE"), whose last known
22 address is 125 South 52nd Street, Tempe, Arizona 85281, was at all relevant times an Arizona
23 limited liability company. CREATIVE is a licensed mortgage broker in the state of Arizona and has
24 been since May of 2000. CREATIVE is not licensed as a mortgage banker. ROBERT K. REHM is
25 listed as the statutory agent of CREATIVE. The only member listed for CREATIVE is
26 Pontchartrain Realty Fund L.L.C. The members of Pontchartrain Realty Fund L.L.C. are ROBERT
K. REHM, Dr. Frank Caspare and Mary E. Cozza.

1 3. AMERICAN MONEY POWER, INC. dba MONEY POWER ("MONEY
2 POWER"), whose last known address is 125 South 52nd Street, Tempe, Arizona 85281, was at all
3 relevant times incorporated in Arizona. ROBERT K. REHM signs correspondence as president of
4 MONEY POWER.

5 4. FEDERAL CAPITAL, L.L.C. ("FEDERAL"), whose last known addresses are
6 6870 E. Horned Owl Trail, Cave Creek, Arizona 85331 and 125 South 52nd Street, Tempe, Arizona
7 85281, was at all relevant times an Arizona limited liability company. The manager and member of
8 FEDERAL is Western + Gulf, Inc. Western + Gulf, Inc. is a Louisiana corporation. LARRY
9 DUNNING is listed as the only officer and director of Western + Gulf, Inc.

10 5. CORPORATE FIDUCIAL SERVICES, INC. ("CORPORATE"), whose last known
11 address is 6120 N. 16th Street Phoenix, Arizona, 85016, was at all relevant times an Arizona
12 corporation. The statutory agent and only officer and director of CORPORATE is ROBERT K.
13 REHM.

14 6. U.S. FEDERAL FINANCIAL CORPORATION ("US FEDERAL"), whose last
15 known address is 125 South 52nd Street, Suite 100, Tempe, Arizona 85281, was at all relevant times
16 an unincorporated entity in Arizona. The president and CEO of US FEDERAL is TOM GAFFNEY.
17 US FEDERAL is currently traded on the pink sheets under the trading symbol of "USFF."

18 7. PAUL J. MEKA ("MEKA"), whose last known address is 10038 North 58th Place,
19 Scottsdale, Arizona 85253, was at all relevant times an Arizona resident. MEKA is a salesperson
20 for CREATIVE and FEDERAL.

21 8. LARRY DUNNING ("DUNNING"), whose last known address is 5635 E.
22 Lincoln Dr. #23, Paradise Valley, Arizona 85253, was at all relevant times an Arizona resident.
23 DUNNING conducted at least one sales presentation on behalf of CREATIVE. DUNNING
24 represents himself as a principal in CREATIVE and CORPORATE. DUNNING is also the
25 majority shareholder of US FEDERAL.

26

1 15. MEKA stated that the investor does nothing but place the money in the program and
2 collect the check each month. The first check is received 30 days after the initial investment.
3 MEKA sent an information package containing a letter and a brochure.

4 16. In the cover letter MEKA sent, MEKA stated that an investor can achieve high
5 returns on the investments by lending money on "properties that are secured by deeds of trust."
6 Through the MONEY POWER fund, an investor can receive a return of up to 24% on a five-year
7 investment.

8 17. Around the same time, an advertisement ran in the *Arizona Republic* on August 5,
9 2001. The advertisement invited the public to a breakfast seminar and stated "learn how to be a
10 millionaire guaranteed." At the bottom of the advertisement the company was disclosed as
11 CREATIVE.

12 18. On August 9, 2001, a Division investigator, in an undercover capacity, attended the
13 free seminar described in the August 5, 2001 advertisement. An investor packet was provided to the
14 Division employee. The investor packet contained promotional material and a prospectus for an
15 investment in "promissory notes which are secured by first or second position deeds of trust or
16 mortgages or real property located primarily in the state of Arizona."

17 19. Although the advertisement dated August 5, 2001, was under the name CREATIVE,
18 the materials provided at the seminar were from MONEY POWER. The materials included a cover
19 letter from MONEY POWER and REHM, as president, dated August 2, 2001. The cover letter
20 explained that MONEY POWER is offering three types of collateralized promissory notes, a two-
21 year note paying 15%, a three-year note paying 20% and a five-year note paying 24%. The
22 minimum investment was \$1,000.00. According to the cover letter, MONEY POWER has received
23 subscriptions from 22 investors for a total of \$219,000.00.

24 20. On August 27, 2001, the Division investigator sought additional information
25 regarding the investments offered by RESPONDENTS. MEKA provided the additional information
26 by telephone. On this date, MEKA represented that RESPONDENTS had raised all but \$80,000.00

1 of the \$1 million offering by MONEY POWER. The investment would be in a promissory note
2 secured by commercial real estate. MEKA stated that the funds are pooled from several investors
3 and a set rate of return is guaranteed. All the funds are backed by real estate.

4 21. MEKA represented that if the loans were in default, CREATIVE or MONEY
5 POWER would foreclose on the property. They would get the property back within 27 days through
6 a copyrighted program. When asked about the role of the investors, MEKA stated that the investor
7 would do nothing. The investor has no management role. The investor just invests and collects
8 monthly payments.

9 22. MEKA stated that CREATIVE and MONEY POWER act as trustees for the
10 investor. MEKA stated that this is a "regulated fund" without describing what is meant by a
11 "regulated fund." CREATIVE and MONEY POWER manage the fund, take care of the borrowers
12 and collect the money from the borrowers. CREATIVE and MONEY POWER then issue checks to
13 the investors. MEKA stated that CREATIVE and MONEY POWER collect fees from the borrowers
14 not the investors.

15 23. MEKA stated that the investor does not have a choice of properties for investment,
16 the investors are buying into the pool. Once a person invested, MEKA stated, they would receive a
17 promissory note.

18 24. In the beginning of September of 2001 and on September 23, 2001, additional
19 advertisements ran in the *Arizona Republic*. The advertisements listed FEDERAL as the company
20 offering the investments. The advertisements state, "earn up to 24% or more annually." FEDERAL
21 is advertising a \$1 million offering.

22 25. A Division investigator, in an undercover capacity, responded to the September
23 advertisement. MEKA answered the telephone call. MEKA represented that FEDERAL borrows up
24 to \$1 million from investors and then lends the money to individuals seeking loans backed by their
25 real estate. MEKA represented that this offering was exempt under "SEC guidelines." The
26

1 minimum investment is \$1,000.00. The term of the investment is two, four or five years. The rate of
2 return is 15%, 20% or 28% respectively.

3 26. MEKA stated that FEDERAL's fees are paid by the borrowers, not the investors.
4 The investors would receive a promissory note in the amount of the investment along with an
5 "assignment of collateral." MEKA sent the requested materials to the Division pursuant to a request
6 by the undercover investigator. The materials are substantially similar to the other materials
7 provided by CREATIVE and MONEY POWER.

8 27. On September 27, 2001, the Division received additional information from MEKA
9 regarding the program operated by FEDERAL. MEKA stated that investors do not need to be
10 accredited to invest in the program. MEKA confirmed that FEDERAL locates the borrowers for the
11 loans, investigates the borrowers and forecloses on the property, if necessary. In addition, MEKA
12 stated that if one of the loans goes bad, the investor will be placed into a different loan and will
13 continue to receive monthly payments. MEKA stated that CORPORATE is the payee and
14 beneficiary on the notes and deeds of trust respectively. CORPORATE assigns its interest in the
15 "deed of trust" to the investors.

16 28. Also on September 23, 2001, CREATIVE placed an advertisement in the *Arizona*
17 *Republic* inviting the public to a free seminar. The seminar offered investors the opportunity to
18 "learn to earn 15%-20% or more." This seminar was held in Sun City West.

19 29. On or about March of 2001, MONEY POWER filed for an exemption under A.A.C.
20 R14-4-140 ("R140"). The initial filing did not comply with the requirements of R140. On or about
21 April 9, 2001, MONEY POWER filed a copy of a Form D with the Division and consent to service
22 of process. R140 is an exemption available to issuers who sell only to accredited investors. This
23 rule requires very specific conditions.

24 30. None of the advertisements discussed above were in the name of MONEY POWER.
25 Although the advertisements were similar to the advertisement that MONEY POWER submitted to
26

1 the Division with its R140 filing, the advertisements did not provide the name, address and
2 telephone numbers of the issuer. Therefore, R140 is not available to the RESPONDENTS.

3 31. On September 27, 2001, FEDERAL filed with the Division a Form D of Regulation
4 D (17 CFR 239.500) promulgated by the SEC under the Securities Act of 1933 and a filing fee of
5 \$250.00. FEDERAL indicated on the Form D it was filing under Rule 506 "and Arizona Rule 14-4-
6 140." However, R140 requires that the issuer must be in compliance with Rule 504, not 506. In
7 addition, under R140, the issuer must file a copy of the Form D within 15 days of the first sale
8 within or from Arizona, a consent to service of process, a copy of the general announcement and a
9 filing fee of \$100.00. FEDERAL has not complied with R140.

10 32. If FEDERAL intended to claim an exemption under Rule 506, under Regulation D,
11 FEDERAL would be prohibited from placing general solicitations. Due to the advertisements
12 placed by FEDERAL, Rule 506 would not be available. Therefore, FEDERAL would be required
13 to register the securities.

14 33. When a person responded to the advertisement for CREATIVE and FEDERAL, the
15 materials for MONEY POWER was provided to the people. Each time Division staff responded to
16 the advertisements, in an undercover capacity, the materials were slightly changed.

17 34. On October 4, 2001, CREATIVE placed an advertisement in the *Arizona Republic*.
18 The advertisement for CREATIVE offered a free informational seminar with the statement "learn
19 how to earn." In addition, the CREATIVE advertisement offered rates of 15% or more "secured"
20 and a fixed monthly income. Two seminars were held on October 4, 2001.

21 35. A Division investigator, in an undercover capacity, attended the morning free
22 seminar. DUNNING, GAFFNEY and MANTEAU were all in attendance. The offering documents
23 provided to the investigator was for corporate bonds offered by US FEDERAL. GAFFNEY made
24 the presentation at the seminar. GAFFNEY stated that DUNNING owned CREATIVE and that he,
25 GAFFNEY, was the chairman and CEO of US FEDERAL. GAFFNEY stated to the seminar
26 attendees that CREATIVE and DUNNING were not structured to raise money for investment

1 purposes. CREATIVE and DUNNING hired US FEDERAL because US FEDERAL was
2 structured to "deal" with the securities offering. Once US FEDERAL raised the investment funds,
3 the funds would then be transferred to CREATIVE who would operate the mortgage bank and
4 provide funds secured by real estate. CREATIVE would conduct due diligence on the borrowers
5 before lending the funds.

6 36. Also on October 4, 2001, US FEDERAL placed an advertisement in the *Arizona*
7 *Republic* offering fixed rates on corporate bonds. The advertisement stated a \$1,000.00 minimum
8 investment and a two-year or four-year corporate bond. Although US FEDERAL claims in its
9 offering documents that it is exempt from registration pursuant to R140, the advertisement placed by
10 US FEDERAL fails to meet the requirements of the Rule.

11 37. US FEDERAL represents in its offering documents that US FEDERAL is seeking to
12 raise \$1 million through an offering which includes 500 units of two-year corporate bonds paying
13 interest at 15.2% and 500 units of four-year corporate bonds paying interest at 18.1%. US
14 FEDERAL "purchases promissory notes that are secured by first or second position deeds of trust or
15 mortgages on real property located primarily in the state of Arizona."

16 38. According to US FEDERAL's offering documents, mortgage borrowers will pay
17 CREATIVE mortgage banking fees. The borrowers will also pay CORPORATE a mortgage
18 servicing fee. The offering documents failed to disclose that CREATIVE is not a mortgage bank.
19 Nor, is CORPORATE licensed with the Arizona State Banking Department to collect mortgage
20 servicing fees.

21 39. A letter from US FEDERAL, signed by GAFFNEY, states that CREATIVE is a
22 mortgage banker licensed by the state of Arizona Department of Banking. CREATIVE is a
23 mortgage broker, not banker. Therefore, CREATIVE is prohibited from funding mortgages.

24 ...

25 ...

26 ...

1 IV.

2 VIOLATION OF A.R.S. § 44-1841

3 (Offer and Sale of Unregistered Securities)

4 40. From on or about August of 2001, RESPONDENTS offered or sold securities in the
5 form of promissory notes and bonds, within or from Arizona.

6 41. The securities referred to above were not registered pursuant to Articles 6 or 7 of
7 the Securities Act.

8 42. This conduct violates A.R.S. § 44-1841.

9 V.

10 VIOLATION OF A.R.S. § 44-1842

11 (Transactions by Unregistered Dealers or Salesmen)

12 43. RESPONDENTS offered or sold securities within or from Arizona while not
13 registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

14 44. This conduct violates A.R.S. § 44-1842.

15 VI.

16 VIOLATION OF A.R.S. § 44-1991

17 (Fraud in Connection with the Offer or Sale of Securities)

18 45. In connection with the offer or sale of securities within or from Arizona,
19 RESPONDENTS directly or indirectly: (i) employed a device, scheme or artifice to defraud; (ii)
20 made untrue statements of material fact or omitted to state material facts which were necessary in
21 order to make the statements made not misleading in light of the circumstances under which they
22 were made; or (iii) engaged in transactions, practices or courses of business which operated or
23 would operate as a fraud or deceit upon offerees and investors. RESPONDENTS' conduct includes,
24 but is not limited to, the following:

25 a) CREATIVE, MONEY POWER, FEDERAL, CORPORATE, MEKA,

26 DUNNING and REHM represented to offerees, through written documentation, that only

1 accredited investors were able to invest in the programs. However, in the oral presentations,
2 CREATIVE, MONEY POWER, FEDERAL, CORPORATE, MEKA, DUNNING and
3 REHM represented that the programs were available to non-accredited investors.

4 b) CREATIVE, MONEY POWER, FEDERAL, CORPORATE, MEKA,
5 DUNNING and REHM represented to offerees, through some of the written documentation,
6 that the investor would make decisions on the promissory note investment such as selecting
7 the property to be funded and collecting the monthly payments. However, in the oral
8 presentation and the prospectus, the CREATIVE, MONEY POWER, FEDERAL,
9 CORPORATE, MEKA, DUNNING and REHM represented that CREATIVE, MONEY
10 POWER, FEDERAL, CORPORATE, MEKA, DUNNING and REHM will handle all
11 aspects of the investment opportunity.

12 c) CREATIVE, MONEY POWER, FEDERAL, CORPORATE, MEKA,
13 DUNNING and REHM represented to offerees, through some of the written documentation,
14 that a "trust deed would be placed on the property in the investor's favor" and the "note and
15 the trust deed would be signed by the borrower and given to the investor". However, in the
16 oral presentation, CREATIVE, MONEY POWER, FEDERAL, CORPORATE, MEKA,
17 DUNNING and REHM state the trustee is CORPORATE and CORPORATE would assign
18 a beneficial interest of its interest to the investors. The prospectus states that the "units" sold
19 are not secured by the assets of the company or by real estate.

20 d) CREATIVE, US FEDERAL, DUNNING, GAFFNEY and MANTEAU
21 represented to offerees that the corporate bond investment was for accredited investors only.
22 However, CREATIVE, US FEDERAL, DUNNING, GAFFNEY and MANTEAU stated to
23 the seminar attendees that they all looked accredited and therefore not to worry about
24 meeting the requirement.

25 e) RESPONDENTS misrepresented to offerees that CREATIVE is a mortgage
26 banker and that the mortgage broker license number is interchangeable with a mortgage

1 banking license when, in fact, RESPONDENTS have a mortgage broker's license and a
2 mortgage broker is prohibited from handling third party funding.

3 46. This conduct violates A.R.S. § 44-1991.

4 **VII.**

5 **TEMPORARY ORDER**

6 **Cease and Desist from Violating the Securities Act**

7 THEREFORE, based on the above allegations, and because the Division has determined that
8 the public welfare requires immediate action,

9 IT IS ORDERED, pursuant to A.R.S. §§ 44-2032, 44-1972 and A.A.C. R14-4-307, that the
10 RESPONDENTS, their agents, servants, employees, successors, assigns, and those persons in active
11 concert or participation with them CEASE AND DESIST from any violations of the Securities Act.

12 IT IS FURTHER ORDERED that this Temporary Order to Cease and Desist shall remain in
13 effect for 120 days unless sooner vacated, modified or made permanent by the Commission.

14 IT IS FURTHER ORDERED that this Order shall be effective immediately.

15 **VIII.**

16 **REQUESTED RELIEF**

17 The Division will request that the Commission grant the following relief against

18 RESPONDENTS:

19 1. Order RESPONDENTS to permanently cease and desist from violating the
20 Securities Act, pursuant to A.R.S. § 44-2032;

21 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
22 from their acts, practices or transactions, including a requirement to make restitution pursuant to
23 A.R.S. § 44-2032;

24 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
25 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
26 and

4. Order any other relief that the Commission deems appropriate.

IX.

HEARING OPPORTUNITY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

RESPONDENTS may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. Rule 14-4-307. A request for hearing must be in writing and received by the Commission within 20 days after service of this Temporary Order to Cease and Desist. Each RESPONDENT must deliver or mail the request for hearing to Docket Control, Arizona Corporation Commission, 1200 West Washington, Phoenix, Arizona 85007. A Docket Control cover sheet must also be filed with the request for hearing. A cover sheet form and instructions may be obtained from Docket Control at (602) 542-3477 or on the Commission's Internet web site at www.cc.state.az.us/utility/forms/index.htm.

If a request for hearing is timely made, the Commission shall schedule a hearing to begin 5 to 15 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. After a hearing, the Commission may vacate, modify or make permanent this Temporary Order, with written findings of fact and conclusions of law. A permanent Order may include ordering restitution, assessing administrative penalties or other action.

If a request for hearing is not timely made, the Division will request that the Commission make permanent this Temporary Order, with written findings of fact and conclusions of law, which may include ordering restitution, assessing administrative penalties or other relief.

...
...
...
...
...
...
...
...

