

I.

FINDINGS OF FACT

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3 1. HCH, was at all relevant times an Arizona limited liability company organized in
4 August of 2002. HCH is the statutory agent and sole member of HCH. HELEN C. HARTZE
5 (“HARTZE”) is the statutory agent and sole member of HCH. HCH is the statutory agent of two
6 investor entities, Ashberry Apartments, L.L.C. (“Ashberry”) and Williamsburg Apartments L.L.C.
7 (“Williamsburg”). HCH is the Trustee of 1112 Ashberry Trust dated November 14, 2002 and 1221
8 Jackson Lane Trust dated November 1, 2002.

9 2. HARTZE was at all relevant times the statutory agent and sole member of HCH.
10 Since December 12, 2001, HARTZE has been a licensed mortgage broker with the Arizona
11 Department of Banking doing business under the name HCH.

12 3. MARK KESLER (“KESLER”) was at all relevant times a sales personan employee
13 with HCH. On September 5, 2002, the Commission issued a Temporary Cease and Desist order
14 against a number of Respondents including KESLER, Docket No. S-03491A-02-0000. KESLER
15 is a named Defendant in a pending Maricopa County Superior Court action, *Arizona Corporation*
16 *Commission v. American National Mortgage Partners L.L.C. et al.*, CV2003-005724.

17 4. Beginning in about October of 2002 through January of 2003, HCH, directly or
18 indirectly, offered and sold interests in two different investment opportunities raising approximately
19 \$360,000 from about nine individuals. The investment opportunities involved interests in two
20 different Arizona limited liability companies (“L.L.C.”), Ashberry and Williamsburg.

21 5. HARTZE was employed with American National Mortgage Partners L.L.C.
22 (“ANMP”) and was the Responsible Person under ANMP’s mortgage banking license while
23 operating HCH. KESLER was salesperson for ANMP before and during the time he was involved
24 with HCH.

25 6. Similar to ANMP, the Ashberry and Williamsburg investments involved raising
26 money from investors to fund loans secured by real property. Investors were placed in an L.L.C. and

1 the L.L.C. funded the loans. KESLER located individuals or entities in need of funds and who had
2 equity in real property to secure the loans. In this matter Ashberry and Williamsburg, the funds were
3 raised for one Borrower (“Borrower”).

4 7. HCH, HARTZE and KESLER decided to contact previous investors in ANMP, to
5 offer those investors an investment opportunity similar to ANMP but through HCH. Certain of these
6 investors believed that HCH was part of or connected in some way with ANMP. The Borrower, who
7 also had loans with ANMP, indicated that he did not see a difference between ANMP and HCH

8 8. HCH, HARTZE and KESLER formed two Trusts, 1112 Ashberry Trust dated
9 November 11, 2002 and 1221 Jackson Lane Trust dated November 11, 2002. HCH was the Trustee
10 of the two Trusts. The Borrower would complete documentation transferring the beneficial interests
11 in their property to the Trust and the investors, through a limited liability company created by HCH,
12 HARTZE and KESLER, would become the second beneficiary on the Trust. The Borrower also
13 signed a promissory note setting forth the terms of repayment and interest rate.

14 9. Although both Ashberry and Williamsburg were formed to be member-managed
15 L.L.C.’s, the investors were not given all of the relevant information to exercise management control
16 over the L.L.C.’s. According to the documents provided to the investors, the principal place of
17 business of the L.L.C.’s was that of HCH. The books and records of the L.L.C.s were located at
18 HCH. HCH was the trustee of the trusts and the payments from the Borrower were to be made to
19 HCH. Most of the funds raised from investors, whether they were members of Ashberry or
20 Williamsburg, were deposited into the HCH bank accounts. HARTZE was the sole signatory on the
21 HCH account.

22 10. According to the investors and the offering documents, the investment would be
23 secured by real property. However, the final documents signed by the Borrower and the Trustee
24 indicate that the documents would not be recorded unless the Borrower defaulted on the loans.

25 11. At no time were investors informed that they were to replace HCH as the Trustee of
26 the Trusts. The investors were not informed that it was their responsibility to record their interest in

1 the real property if there was a default by the Borrower. In fact, the investors did not know their
2 interests would not be recorded against the property until or unless there was a default. The investors
3 were not provided complete investor records to allow them to independently contact the other
4 members of the L.L.C. in order to take control of the L.L.C. and complete its business activities.

5 12. The Borrower sought \$405,000 from the investors in the Ashberry investment.
6 Starting in November of 2002 through January of 2003, the Ashberry investment raised
7 approximately \$245,000 from about seven investors. The investment was to be secured by an interest
8 in an apartment complex located in Columbus, Ohio. However, HCH did not inform investors that
9 she had there was an agreement with the Borrower whereby the investors' interest would only be
10 recorded when and if there was a default on the loans.

11 13. In November of 2002, the Borrower sought \$115,000 from the investors. The
12 Williamsburg investment raised approximately \$115,000 from two investors in November of 2002.
13 The investment was to be secured by an interest in an apartment complex located in Middletown,
14 Ohio. However, HCH did not inform investors that there was an agreement with the Borrower
15 whereby the investors' interest would only be recorded when and if there was a default on the loans.

16 14. The Borrower defaulted on the notes and the investors have not received a return of
17 their investment nor has their interest in the real property been recorded to secure their interests.

18 **II.**

19 **CONCLUSIONS OF LAW**

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

22 2. HCH offered or sold securities within or from Arizona, within the meaning of
23 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

24 3. HCH violated A.R.S. § 44-1841 by offering or selling securities that were neither
25 registered nor exempt from registration.

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1 funds on a pro rata basis to investors. If all investors are paid in full, any excess funds shall revert
2 to the state of Arizona. If HCH does not comply with this order for restitution, any outstanding
3 balance may be deemed in default and shall be immediately due and payable.

4 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that HCH shall pay an
5 administrative penalty in the amount of \$7,500, payable to the "State of Arizona." Payment shall
6 be made in full by cashier's check or money order on the date of this Order. If HCH does not
7 comply with this order for administrative penalties, any outstanding balance may be deemed in
8 default and shall be immediately due and payable.

9 IT IS FURTHER ORDERED, any funds received will be applied to the ordered restitution
10 then to the administrative penalty.

11 IT IS FURTHER ORDERED that this Order shall become effective immediately.

12 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

<u>/s/ Marc Spitzer</u>	<u>William A. Mundell</u>	<u>Jeffrey Hatch-Miller</u>
CHAIRMAN	COMMISSIONER	COMMISSIONER
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<u>Lowell Gleason</u>	<u>Kristin Mayes</u>	
COMMISSIONER	COMMISSIONER	

17 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
18 Secretary of the Arizona Corporation Commission, have hereunto
19 set my hand and caused the official seal of the Commission to be
affixed at the Capitol, in the City of Phoenix, this 20th day of
October, 2004

21 /s/ Brian C. McNeil
22 BRIAN C. McNEIL
Executive Secretary

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DISSENT

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25 DISSENT

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This document is available in alternative formats by contacting Yvonne L. McFarlin, Executive Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail ymcfarlin@cc.state.az.us.

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CONSENT TO ENTRY OF ORDER

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2 1. HCH ENTERPRISE, L.L.C., an Arizona limited liability company, admits the
3 jurisdiction of the Commission over the subject matter of this proceeding. HCH ENTERPRISE,
4 L.L.C. acknowledges that it has been fully advised of its right to a hearing to present evidence and
5 call witnesses and HCH ENTERPRISE, L.L.C. knowingly and voluntarily waives any and all
6 rights to a hearing before the Commission and all other rights otherwise available under Article 11
7 of the Securities Act and Title 14 of the Arizona Administrative Code. HCH ENTERPRISE,
8 L.L.C. acknowledges that this Order To Cease and Desist, Order Of Restitution, Order For
9 Administrative Penalties and For Other Affirmative Action and Consent To Same (“Order”)
10 constitutes a valid final order of the Commission.

11 2. HCH ENTERPRISE, L.L.C. knowingly and voluntarily waives any right it may
12 have under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal,
13 or extraordinary relief resulting from the entry of this Order.

14 3. HCH ENTERPRISE, L.L.C. acknowledges and agrees that this Order is entered
15 into freely and voluntarily and that no promise was made or coercion used to induce such entry.

16 4. HCH ENTERPRISE, L.L.C. acknowledges that it has been represented by counsel
17 in this matter, it has reviewed this Order with his attorney and understands all terms it contains.

18 5. HCH ENTERPRISE, L.L.C. neither admits nor denies the Findings of Fact and
19 Conclusions of Law contained in this Order.

20 6. By consenting to the entry of this Order, HCH ENTERPRISE, L.L.C. agrees not to
21 take any action or to make, or permit to be made, any public statement denying, directly or
22 indirectly, any Finding of Fact or Conclusion of Law in this Order or to create the impression that
23 this Order is without factual basis. HCH ENTERPRISE, L.L.C. will undertake steps necessary to
24 assure that all of its agents and employees understand and comply with this agreement.

25 7. While this Order settles this administrative matter between HCH ENTERPRISE,
26 L.L.C. and the Commission, HCH ENTERPRISE, L.L.C. understands that this Order does not

1 preclude the Commission from instituting other administrative proceedings based on violations
2 that are not addressed by this Order.

3 8. HCH ENTERPRISE, L.L.C. understands that this Order does not preclude the
4 Commission from referring this matter to any governmental agency for administrative, civil, or
5 criminal proceedings that may be related to the matters addressed by this Order.

6 9. HCH ENTERPRISE, L.L.C. understands that this Order does not preclude any
7 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,
8 civil or criminal proceedings that may be related to matters addressed by this Order.

9 10. HCH ENTERPRISE, L.L.C. agrees to not apply or seek licensure as a mortgage
10 broker or mortgage banker for a time period of five years from the date of this Order.

11 11. HCH ENTERPRISE, L.L.C. agrees that until restitution and penalties are paid in
12 full, HCH ENTERPRISE, L.L.C. will notify the Director of the Securities Division within 30 days
13 of any change in address or any change in HCH ENTERPRISE, L.L.C.'s ability to pay amounts
14 due under this Order. HCH ENTERPRISE, L.L.C. agrees that it shall provide the Commission
15 with an updated financial statement every six months from entry of this Order or when any change
16 in its ability to pay restitution occurs. HCH ENTERPRISE, L.L.C. agrees that failure to perform
17 any action in this paragraph shall result in its being in default with any outstanding balance being
18 immediately due and payable without notice or demand.

19 12. HCH ENTERPRISE, L.L.C. understands that default shall render it liable to the
20 Commission for its costs of collection and interest at the maximum legal rate.

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13. HCH ENTERPRISE, L.L.C. consents to the entry of this Order and agrees to be fully bound by its terms and conditions.

/s/ Helen C. Hartze
HCH ENTERPRISE, L.L.C.
BY: HELEN C. HARTZE, managing member

SUBSCRIBED AND SWORN TO BEFORE me this 1st day of October, 2004.

/s/ Nancy A. Robins
NOTARY PUBLIC

My Commission Expires:
July 24, 2006