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COMMISSIONERS  
MIKE GLEASON - Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE



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BRIAN C. McNEL  
EXECUTIVE DIRECTOR

ARIZONA CORPORATION COMMISSION

ORIGINAL

MEMORANDUM

TO: Mike Gleason, Chairman  
William A. Mundell  
Jeff Hatch-Miller  
Kristin K. Mayes  
Gary Pierce

Arizona Corporation Commission  
DOCKETED

NOV 20 2008

FROM: Matthew J. Neubert *mjn*  
Director of Securities

DOCKETED BY *MM*

AZ CORP COMMISSION  
DOCKET CONTROL

2008 NOV 20 P 3: 58

RECEIVED

DATE: November 20, 2008

RE: Order to Cease and Desist, Order for Restitution, For Administrative Penalties, and Consent to Same By: Dean A. Severns, Cheryl E. Severns, Severns Properties, LLC, Severns Capital, LLC, and J. Dean, LLC for Docket No. S-20634A-08-0519

CC: Brian C. McNeil, Executive Director

Please find attached a proposed Order to Cease and Desist, For Restitution, For Administrative Penalty and Consent to Same By: Dean A. Severns, Severns Properties, LLC, Severns Capital, LLC, and J. Dean, LLC (hereinafter "Respondents") and Cheryl E. Severns.

From 2006 through 2007, Respondents offered and sold securities in the form of unregistered promissory notes in order to invest in various types of real estate, including apartment complexes to convert into condominiums, vacant land, and an office building. A majority of the notes promised returns of 14%, and depending on the note, an additional 10% of the profits or an amount equal to between zero and two points. A majority of the investors did not have readily available funds to invest, so the investors used their Home Equity Lines of Credit, Individual Retirement Accounts, or a first mortgage in order to fund the investment. Respondents owe investors over \$3.4 million.

Respondent Dean A. Severns told investors that their investments were safe because the notes would be secured by the purchased real estate, his millions in personal wealth, and his real estate investing experience. The investors received unsecured promissory notes. There was no personal wealth to prevent the loss of a majority of the investor funds when some of the

Memorandum Re Severns, et al Consent  
November 20, 2008  
Page 2

properties were foreclosed on and to prevent the loss of escrow funds when two properties did not close. Respondent Dean A. Severns did not have experience in investing in converting an apartment complex into condominiums and hired a contractor with no history of converting an apartment complex into condominiums to manage the project.

Additionally, the Respondents failed to disclose to investors that a portion of the investors' funds would be used to pay the expenses of Respondents Dean A. Severns and Cheryl E. Severns.

Respondents neither admit nor deny the findings of fact and conclusions of law. Respondents have agreed to cease and desist from violating the Arizona Securities Act, to pay restitution in the amount of \$3,481,115.37, and to pay an administrative fine in the amount of \$150,000.00.

The Division recommends this Consent is appropriate, in the public interest, and necessary for the protection of investors.

Originator: Aikaterine Vervilos

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 MIKE GLEASON, Chairman  
4 WILLIAM A. MUNDELL  
5 JEFF HATCH-MILLER  
6 KRISTIN K. MAYES  
7 GARY PIERCE

8 In the matter of: )  
9 DEAN A. SEVERNS and CHERYL E.)  
10 SEVERNS, husband and wife )  
11 SEVERNS PROPERTIES, LLC, an Arizona )  
12 limited liability company )  
13 SEVERNS CAPITAL, LLC, an Arizona )  
14 limited liability company )  
15 J.DEAN, LLC, an Arizona limited liability )  
16 company )  
17 Respondents. )  
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DOCKET NO. S-20634A-08-0519

DECISION NO. \_\_\_\_\_

**ORDER TO CEASE AND DESIST, ORDER  
OF RESTITUTION, ORDER FOR  
ADMINISTRATIVE PENALTIES AND  
CONSENT TO SAME BY:  
DEAN A. SEVERNS  
CHERYL E. SEVERNS  
SEVERNS PROPERTIES, LLC  
SEVERNS CAPITAL, LLC  
J.DEAN, LLC**

Respondents DEAN A. SEVERNS ("SEVERNS"), CHERYL E. SEVERNS, SEVERNS PROPERTIES, LLC, an Arizona limited liability company, ("SEVERNS PROPERTIES"), SEVERNS CAPITAL, LLC, an Arizona limited liability company, ("SEVERNS CAPITAL"), and J.DEAN, LLC, an Arizona limited liability company, ("J. DEAN") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease and Desist, Order of Restitution, and Order for Administrative Penalties ("Order"). Respondents SEVERNS, CHERYL E. SEVERNS, SEVERNS PROPERTIES, SEVERNS CAPITAL AND J. DEAN admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

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I.

**FINDINGS OF FACT**

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

2. At all times material hereto, SEVERNS was residing in Arizona.

3. At all times material hereto, CHERYL E. SEVERNS was residing in Arizona.

4. SEVERNS and CHERYL E. SEVERNS, are husband and wife.

5. CHERYL E. SEVERNS was joined in this action under A.R.S. §§ 44-2031(C) and 44-3291(C) solely for purposes of determining the liability of the marital community. CHERYL E. SEVERNS may be referred to as Respondent Spouse.

6. At all times relevant, SEVERNS was acting for his own benefit and the benefit and in furtherance of SEVERNS and Respondent Spouse's marital community.

7. SEVERNS PROPERTIES is an Arizona limited liability company organized on or about July 5, 2005.

8. According to Commission records, DEAN A. SEVERNS and CHERYL E. SEVERNS are the sole members and managers of SEVERNS PROPERTIES.

9. SEVERNS CAPITAL is an Arizona limited liability company organized on or about April 27, 2007.

10. According to Commission records, SEVERNS and CHERYL E. SEVERNS are the sole members and managers of SEVERNS CAPITAL.

11. J.DEAN is an Arizona limited liability company organized on or about November 9, 2006.

12. According to Commission records, DEAN A. SEVERNS, CHERYL E. SEVERNS and others are managers and members of J.DEAN.

1           13.     SEVERNS, SEVERNS PROPERTIES, SEVERNS CAPITAL and J. DEAN may be  
2 referred to collectively as “Respondents”.

3           14.     Beginning in or around 2006, the Respondents offered and sold securities in the  
4 form of promissory notes and/or investment contracts (hereinafter “Investments”) to at least 28  
5 investors, the majority of which reside in Arizona.

6           15.     At all times relevant, the Respondents were not registered with the Commission as  
7 dealers or salesmen.

8           16.     At all times relevant, the Investments were not registered with the Commission.

9           17.     SEVERNS PROPERTIES, SEVERNS CAPITAL, and J.DEAN, through their  
10 members and managers, offered and sold Investments to investors. The investment group was first  
11 called Millionaire Bound Investment Group (“MBIG”), then Investors-4-Investors (“I4I”) and  
12 finally Severns Partners.

13           18.     SEVERNS invited investors to join these investment groups and made statements  
14 regarding the Investments to the investors.

15 **A.           MILLIONAIRE BOUND INVESTMENT GROUP (MBIG)**

16           19.     Beginning in or around January 2006, SEVERNS formed MBIG and offered the  
17 investors the opportunity to invest in a fund that would purchase a single property, an apartment  
18 complex, to renovate it and then resell it as condominiums. The project was Mountain View  
19 Apartments (“Mountain View”).

20           20.     SEVERNS held investor meetings for actual and/or potential MBIG investors in  
21 which SEVERNS discussed the investment and the MBIG group.

22           21.     SEVERNS presented to the investors Mountain View as the property that he  
23 selected for the MBIG group investment. Additionally, he presented goals for the MBIG group to  
24 achieve and needs that the MBIG group could satisfy. Those goals and needs included the  
25 following: “increase net worth, to leave a legacy/generational education and wealth, retirement,  
26 security, life force, inspiration, life style, money leverage, guidance, and freedom.”

1           22. SEVERNS failed to provide material information regarding the evaluation of the  
2 investment. The MBIG presentations included listing the "DEAL EVALUATION" factors for the  
3 investment (such as highest and best use, acquisition price vs. appraised value, cash flow, terms,  
4 future potential, short term vs. long term and realtor application).

5           23. The MBIG investors were not told the interest rate of the loan used to purchase the  
6 property, the length of the loan, whether the property would be refinanced to support the  
7 rehabilitation, the timeframe for completing the rehabilitation, contingency plans for cost overruns,  
8 and marketing plans to sell the individual condominiums.

9           24. Many of the MBIG investors were unsophisticated and inexperienced in investing.  
10 SEVERNS used a reference to Mother Theresa, biblical quotes, and his own pursuit of money to  
11 discuss investing. SEVERNS suggested the book, "The Millionaire Next Door," to the investors as  
12 a reading assignment.

13           25. SEVERNS told MBIG investors that the investment was safe. SEVERNS told the  
14 MBIG investors that he did not need or want their money ([he] "had millions in personal wealth")  
15 and had access to two hundred million dollars (\$200,000,000) in private money through a mortgage  
16 broker.

17           26. SEVERNS told MBIG investors that their promissory notes would be secured by the  
18 purchase of the real estate.

19           27. SEVERNS promised MBIG investors a rate of return of 10-14% for a term of 360  
20 days in addition to a return of 10% as part of a profit pool, depending upon the success of the  
21 investment. SEVERNS or SEVERNS PROPERTIES, through SEVERNS, issued unsecured  
22 promissory notes with an interest rate of 14% to the MBIG investors. The 10% profit pool was not  
23 included in the promissory notes.

24           28. SEVERNS told MBIG investors that he had many years of experience in real estate  
25 investing, including investments in duplexes and fourplexes. However, SEVERNS failed to  
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1 disclose to at least one MBIG investor that he did not have experience converting an apartment  
2 complex into condominiums to sell as individual units.

3 29. SEVERNS failed to provide information sufficient to give investors full disclosure  
4 regarding the experience of those persons hired to convert the Mountain View apartments into  
5 condominiums. SEVERNS told at least one MBIG investor that he would hire an experienced  
6 contractor to manage the reconstruction of the Mountain View property. SEVERNS hired a  
7 licensed contractor with no history of managing the conversion of an apartment complex to  
8 condominiums to oversee the Mountain View project.

9 30. SEVERNS instructed MBIG investors to make their funds payable to SEVERNS  
10 PROPERTIES. On or about April 2006, SEVERNS PROPERTIES became the owner of the  
11 Mountain View property. SEVERNS acted as the buyer's agent, arranged the financing, and  
12 signed the real estate contracts on behalf of SEVERNS PROPERTIES. None of the MBIG  
13 investors were listed on the property deed.

14 31. SEVERNS, on behalf of SEVERNS PROPERTIES, contracted to purchase at least  
15 three other properties using MBIG investor funds: another apartment complex to be converted into  
16 condominiums, a parcel with a storage building on it, and vacant land.

17 32. At least two of the additional properties contracted for purchase resulted in the loss  
18 of MBIG investor funds. In one instance, investor funds used to make the escrow deposit were lost  
19 on a property that did not close. In another instance, investor funds used to make monthly  
20 mortgage payments were lost when the property was foreclosed upon.

21 33. SEVERNS told at least one MBIG investor prior to investing that he would not earn  
22 commissions through the use of investor funds or money on the investor funds. SEVERNS earned  
23 a commission on at least one property while acting as buyer's and/or seller's agent on behalf of  
24 SEVERNS PROPERTIES.

25 **B. INVESTORS-4-INVESTORS (I4I), SEVERNS PARTNERS, and**  
26 **SUBSEQUENT INVESTORS**

1           34.     Beginning in or around November 2006, SEVERNS renamed MBIG in favor of a  
2 new real estate investment group called Investors-4-Investors (I4I) to offer and sell Investments.  
3 A majority of the MBIG investors were merged into I4I without their consent.

4           35.     SEVERNS continued the investor meetings as I4I. As compared to the MBIG  
5 investment group, there were at least two changes to the I4I investment group: an increase in the  
6 number of investments being offered and the introduction of the concept of a Power Team,  
7 whereby existing investors would bring in new investors and their funds to I4I.

8           36.     SEVERNS told at least one I4I investor that the investments were safe regardless of  
9 market conditions. SEVERNS told at least one I4I investor the structure of the investments made  
10 them "bullet proof," that investor funds were secured by real estate assets, that he did not need any  
11 of the investor money, and that he was worth millions.

12          37.     SEVERNS told the I4I investors that "[I4I] would not go under contract without at  
13 least 30% of total financing from Investors 4 Investors, therefore I will personally invest a  
14 maximum of 70% from my personal funds." One property went under contract for \$800,000, but  
15 \$744,000 was financed with unsecured promissory notes.

16          38.     SEVERNS told at least one I4I investor prior to investing about a return matrix  
17 which showed what an investor could expect to earn as a return if they invested with him. The  
18 matrix showed a return of 8% to 30% based upon investing an amount from \$10,000 to \$500,000.

19          39.     The I4I investors received unsecured promissory notes with an interest rate of 14%  
20 for a term of 360 days or unsecured promissory notes with an interest rate of 14% in addition to a  
21 payment of between 0-2 points. SEVERNS directed the investors to make their funds payable to  
22 SEVERNS PROPERTIES. SEVERNS, on behalf of SEVERNS PROPERTIES and SEVERNS  
23 CAPITAL, issued the unsecured promissory notes. SEVERNS did not disclose to at least one  
24 investor that one entity would receive the funds but another entity would be the issuer of the  
25 unsecured promissory note.

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1           40.     Beginning in or around June 2007, SEVERNS changed the name of the investment  
2 group from I4I to Severns Partners. In addition to the investors who joined MBIG, I4I, or Severns  
3 Partners, SEVERNS solicited additional investors (the additional investors may be referred to as  
4 “subsequent investors,” and MBIG, I4I, Severns Partners and any subsequent investors may be  
5 collectively referred to as “investors”).

6           41.     SEVERNS failed to disclose to at least one I4I, one Severns Partners investor and  
7 one subsequent investor prior to their investment that there had been a loss of investor funds in  
8 investment properties.

9           42.     SEVERNS offered at least one I4I investor opportunities in properties, including  
10 vacant land, an apartment complex and an office building. SEVERNS selected the properties for  
11 the investments and signed the contracts on behalf of SEVERNS PROPERTIES.

12           43.     SEVERNS told at least one I4I investor the investment funds were applied to the  
13 purchase of an office building, and told at least one subsequent investor and one Severns Partners  
14 investor that their money was used for an unspecified real estate project. However, the I4I investor  
15 did not receive any form of documentation indicating the investor funds were applied to the  
16 purchase of the office building. The subsequent investor and Severns Partners investor were not  
17 told which real estate project their funds were used for.

18           44.     SEVERNS told at least two subsequent investors and at least one Severns Partners  
19 investor their investment funds were safe. SEVERNS told at least one of the subsequent investors  
20 he had millions in wealth to pay off the promissory notes.

21           45.     The majority of the investors receiving unsecured promissory notes issued from  
22 SEVERNS CAPITAL had interest rates of 14%, while some had 8%, in addition to between zero  
23 and two points and a term of 360 days.

24           46.     One subsequent investor purchased an unsecured promissory note from J.DEAN in  
25 order to earn interest to fund the investor’s home remodeling project. SEVERNS, on behalf of  
26

1 J.DEAN, issued a promissory note with an 8% return on funds and a due date of 360 days.  
2 J.DEAN did not pay interest and did not return the principal after 360 days.

3 **C. GENERAL ALLEGATIONS**

4 47. Many of the investors did not have readily available funds to invest. Some investors  
5 funded their investments by using their homes by taking out a Home Equity Line of Credit  
6 ("HELOC") and/or withdrawing the equity from their homes using a first deed of trust, and using  
7 funds in IRA accounts. At least one I4I investor was shown a chart showing the gains from  
8 investing even after paying the HELOC loan.

9 48. SEVERNS PROPERTIES, through SEVERNS, purchased or attempted to purchase  
10 properties using investor funds.

11 49. At the direction of DEAN A. SEVERNS, CHERYL E. SEVERNS sent investors  
12 quarterly statements showing the investors their investment activity. The Statement of Account  
13 showed the date invested, amount invested, interest rate percent, accrued interest earned, interest  
14 paid, date paid and account balance.

15 50. DEAN A. SEVERNS and CHERYL E. SEVERNS, at the direction of DEAN A.  
16 SEVERNS, controlled the Respondents' accounts. This included reviewing bills, paying bills,  
17 writing checks, transferring funds, and paying investors, including interest payments, HELOC  
18 payments, and the return of one investor's investment funds.

19 51. SEVERNS told investors that the investors could call their unsecured promissory  
20 notes due and the notes would be paid. When the investors called their funds, SEVERNS offered  
21 to pay draws (representing future profits from the investment), offered employment with the  
22 company, offered to issue new promissory notes with revised interest rates, offered to pay the  
23 interest on the investor HELOC loans, or offered to pay investors when the Mountain View  
24 projected was refinanced in 2007.

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1           52.     SEVERNS, on behalf of SEVERNS PROPERTIES, refinanced the Mountain View  
2 property on or about November 2007, but did not return any funds to an investor who was  
3 promised a return after the refinancing was completed.

4           53.     Some of the investors received funds to pay their HELOC payments for a few  
5 months, but then the payments stopped because DEAN A. SEVERNS did not have the funds to  
6 continue making payments.

7           54.     SEVERNS, on behalf of SEVERNS PROPERTIES, sold at least one of the  
8 properties in or around January 2008 that was purchased with investor funds. SEVERNS entered  
9 into an agreement whereby the sale included a lease carry back provision on a portion of the sales  
10 price. None of the proceeds from the sale or the lease carry back were returned to the investors.

11          55.     Respondents failed to disclose to at least one investor that they used investor funds  
12 to pay operation expenses of other entities which SEVERNS was a member and/or manager, as  
13 well as use a portion of the investor funds for the expenses of SEVERNS and CHERYL E.  
14 SEVERNS (including but not limited to, car loans, mortgages and travel), and to use investor funds  
15 to pay, on behalf of an investor, the outstanding balance of an investor's purchase of a vacation  
16 and/or resort property.

17          56.     The Respondents failed to disclose to at least one investor that investor funds were  
18 used to repay at least one other investor's investment and to make investors' HELOC payments  
19 and interest payments.

20          57.     The Respondents did not provide at least one investor with any offering documents,  
21 financial information, or the basis for the projected costs and/or projected sales regarding property  
22 purchases financed by the investors.

23          58.     The investors lost a majority of their investor funds. At least one subsequent  
24 investor is now facing the loss of their home.

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- e. Misrepresenting the nature of the investment, including statements that the investors would have secured interests, offering interests in properties that were already under contract, and that SEVERNS would not enter into contracts without a 70% investment by SEVERNS and a 30% investment by I4I;
- f. Misrepresenting that the entity receiving the funds was not the same entity that issued the unsecured promissory notes;
- g. Misrepresenting that SEVERNS would not earn commissions through the use of investor funds or money on the investor funds;
- h. Misrepresenting SEVERNS' real estate investing experience;
- i. Misrepresenting that the investment was safe, including but not limited to, statements that SEVERNS had his own personal wealth, had access to private money through a mortgage broker, that the investors would have secured promissory notes, that the investment was bullet proof, and that investor funds could be returned upon request; and
- j. Misrepresenting that investors would make substantial profits by investing.

6. SEVERNS directly or indirectly controlled SEVERNS PROPERTIES, SEVERNS CAPITAL, and J.DEAN, by or through membership and/or as manager. Therefore, SEVERNS is jointly and severally liable under A.R.S. § 44-1999 to the same extent as SEVERNS PROPERTIES, SEVERNS CAPITAL, and J.DEAN for their violations of A.R.S. § 44-1991.

7. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

8. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

9. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.



1           IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents and the  
2 marital community of SEVERNS and Respondent Spouse, shall jointly and severally, pay an  
3 administrative penalty in the amount of \$150,000.00. Payment shall be made to the “State of  
4 Arizona.” Any amount outstanding shall accrue interest at the rate of 10% per annum from the  
5 date of this Order until paid in full. The payment obligations for these administrative penalties  
6 shall be subordinate to any restitution obligations ordered herein and shall become immediately  
7 due and payable only after restitution payments have been paid in full or upon Respondents’  
8 default with respect to Respondents’ restitution obligations.

9           For purposes of this Order, a bankruptcy filing by any of the Respondents shall be an act of  
10 default. If any Respondent does not comply with this Order, any outstanding balance may be  
11 deemed in default and shall be immediately due and payable.

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1 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the  
2 Commission may bring further legal proceedings against that Respondent, including application to  
3 the superior court for an order of contempt.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8 CHAIRMAN COMMISSIONER

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10 COMMISSIONER COMMISSIONER COMMISSIONER

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12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
13 Executive Director of the Arizona Corporation  
14 Commission, have hereunto set my hand and caused the  
15 official seal of the Commission to be affixed at the  
16 Capitol, in the City of Phoenix, this \_\_\_\_\_ day of  
17 \_\_\_\_\_, 20\_\_.

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BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

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20 DISSENT

21

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22 DISSENT

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24 This document is available in alternative formats by contacting Linda Hogan, ADA Coordinator,  
25 voice phone number 602-542-3931, e-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

25

26 (AV)

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondents DEAN A. SEVERNS, SEVERNS PROPERTIES, LLC, an Arizona  
3 limited liability company, SEVERNS CAPITAL, LLC, an Arizona limited liability company, and  
4 J.DEAN, LLC, an Arizona limited liability company (collectively, "Respondents") and CHERYL E.  
5 SEVERNS ("Respondent Spouse") admit the jurisdiction of the Commission over the subject  
6 matter of this proceeding. Respondents and Respondent Spouse acknowledge that Respondents  
7 and Respondent Spouse have been fully advised of their right to a hearing to present evidence and  
8 call witnesses and they knowingly and voluntarily waive any and all rights to a hearing before the  
9 Commission and all other rights otherwise available under Article 11 of the Securities Act and  
10 Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease  
11 and Desist, Order of Restitution and Order for Administrative Penalties ("Order") constitutes a  
12 valid final order of the Commission.

13           2.       Respondents and Respondent Spouse knowingly and voluntarily waive any right  
14 under Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or  
15 extraordinary relief resulting from the entry of this Order.

16           3.       Respondents and Respondent Spouse acknowledge and agree that this Order is  
17 entered into freely and voluntarily and that no promise was made or coercion used to induce such  
18 entry.

19           4.       Respondents and Respondent Spouse acknowledge that Respondents and  
20 Respondent Spouse have been represented by an attorney in this matter, Respondents and  
21 Respondent Spouse have reviewed this Order with their attorney, Alan S. Baskin, Esq., and  
22 understand all terms it contains.

23           5.       Respondents and Respondent Spouse neither admit nor deny the Findings of Fact  
24 and Conclusions of Law contained in this Order. Respondents and Respondent Spouse agree that  
25 they shall not contest the validity of the Findings of Fact and Conclusions of Law contained in this  
26 Order in any present or future administrative proceeding before the Commission or any other state

1 agency concerning the denial or issuance of any license or registration required by the state to  
2 engage in the practice of any business or profession.

3         6. By consenting to the entry of this Order, Respondents and Respondent Spouse agree  
4 not to take any action or to make, or permit to be made, any public statement denying, directly or  
5 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that  
6 this Order is without factual basis. Respondents and Respondent Spouse will undertake steps  
7 necessary to assure that all of their agents and employees understand and comply with this  
8 agreement.

9         7. While this Order settles this administrative matter between Respondents,  
10 Respondent Spouse, and the Commission, Respondents and Respondent Spouse understand that  
11 this Order does not preclude the Commission from instituting other administrative or civil  
12 proceedings based on violations that are not addressed by this Order.

13         8. Respondents and Respondent Spouse understand that this Order does not preclude  
14 the Commission from referring this matter to any governmental agency for administrative, civil, or  
15 criminal proceedings that may be related to the matters addressed by this Order.

16         9. Respondents and Respondent Spouse understand that this Order does not preclude  
17 any other agency or officer of the state of Arizona or its subdivisions from instituting  
18 administrative, civil, or criminal proceedings that may be related to matters addressed by this  
19 Order.

20         10. Respondents agree that Respondents will not apply to the state of Arizona for  
21 registration as a securities dealer or salesman or for licensure as an investment adviser or  
22 investment adviser representative until such time as all restitution and penalties under this Order  
23 are paid in full.

24         11. Respondents agree that Respondents will not exercise any control over any entity  
25 that offers or sells securities or provides investment advisory services within or from Arizona until  
26 such time as all restitution and penalties under this Order are paid in full.

1           12.     Respondents agree that Respondents will not sell any securities in or from Arizona  
2 without being properly registered in Arizona as a dealer or salesman, or exempt from such  
3 registration; Respondents will not sell any securities in or from Arizona unless the securities are  
4 registered in Arizona or exempt from registration; and Respondents will not transact business in  
5 Arizona as an investment adviser or an investment adviser representative unless properly licensed  
6 in Arizona or exempt from licensure.

7           13.     Respondents and Respondent Spouse agree that they will continue to cooperate with  
8 the Securities Division including, but not limited to, providing complete and accurate testimony at  
9 any hearing in this matter and cooperating with the state of Arizona in any related investigation or  
10 any other matters arising from the activities described in this Order. This provision shall not  
11 constitute a waiver of Respondents' state and federal rights against self-incrimination.

12           14.     Respondent DEAN A. SEVERNS acknowledges that any restitution or penalties  
13 imposed by this Order are obligations of him individually, as well as the marital community.

14           15.     Respondent Spouse CHERYL E. SEVERNS acknowledges that any restitution and  
15 penalties imposed by this Order are obligations of the marital community.

16           16.     Respondents and Respondent Spouse consent to the entry of this Order and agree to  
17 be fully bound by its terms and conditions.

18           17.     Respondents and Respondent Spouse acknowledge and understand that if  
19 Respondents or Respondent Spouse fail to comply with the provisions of the order and this  
20 consent, the Commission may bring further legal proceedings against them, including application  
21 to the superior court for an order of contempt.

22           18.     Respondents and Respondent Spouse understands that default shall render  
23 Respondents and the marital community of Respondent Spouse liable to the Commission for its  
24 costs of collection and interest at the maximum legal rate.

25           19.     Respondents and Respondent Spouse agree and understand that if Respondents or  
26 Respondent Spouse fail to make any payment as required in the Order, any outstanding balance

1 shall be in default and shall be immediately due and payable without notice or demand.  
2 Respondents and Respondent Spouse agree and understand that acceptance of any partial or late  
3 payment by the Commission is not a waiver of default by Commission.

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20. DEAN A. SEVERNS represents that he is a member and manager of SEVERNS PROPERTIES, LLC, SEVERNS CAPITAL, LLC, and J.DEAN, LLC and has been authorized by SEVERNS PROPERTIES, LLC, SEVERNS CAPITAL, LLC, and J.DEAN, LLC to enter into this Order for and on behalf of them.

*Dean A. Severns*

DEAN A. SEVERNS

STATE OF ARIZONA )  
County of ) ss )

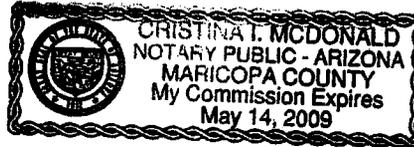
SUBSCRIBED AND SWORN TO BEFORE me this 19<sup>th</sup> day of November, 2008.

*Cristina I. McDonald*

NOTARY PUBLIC

My commission expires:

May 14, 2009



*Cheryle E. Severns*

CHERYLE E. SEVERNS

STATE OF ARIZONA )  
County of ) ss )

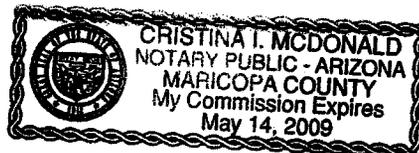
SUBSCRIBED AND SWORN TO BEFORE me this 19<sup>th</sup> day of November, 2008.

*Cristina I. McDonald*

NOTARY PUBLIC

My commission expires:

May 14, 2009





J.DEAN, LLC, an Arizona limited liability company

By: *Dean A. Severns*  
Dean A. Severns  
Its: Manager and Member

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STATE OF ARIZONA       )  
  ) ss  
County of                    )

SUBSCRIBED AND SWORN TO BEFORE me this 19<sup>th</sup> day of November, 2008.

*Christina L. McDonald*  
NOTARY PUBLIC

My commission expires:

*May 14, 2009*

