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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2010 JAN 25 P 12:11

Arizona Corporation Commission

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JAN 25 2010

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In the matter of:

Robert W. Mangold and Michelle M. Mangold, husband and wife;

One Source Mortgage & Investments, Inc., an Arizona corporation;

Strategic Equity Investments, LLC, an Arizona limited liability company;

Respondents.

DOCKET NO. S-20669A-09-0187

STIPULATION OF FACTS

BY: ROBERT W. MANGOLD, ONE SOURCE MORTGAGE & INVESTMENTS, INC., AND STRATEGIC EQUITY INVESTMENTS, LLC

On April 21, 2009, the Securities division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Robert W. Mangold and Michelle M. Mangold, husband and wife, One Source Mortgage & Investments, Inc. ("OSMI") and Strategic Equity Investments, LLC ("SEI") in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in the form of notes and/or investment contracts.

Robert W. Mangold, Michelle M. Mangold, OSMI, and SEI were duly served with copies of the Notice.

On May 4, 2009, a request for hearing was filed by Respondent Robert W. Mangold. This request for hearing was titled, from: Robert Mangold; Michele Mangold; One Source Mortgage & Investments; and Strategic Equity Investments.

On September 17, 2009, at the status conference, the Division appeared with counsel and Mr. Mangold appeared on his own behalf. The Division and Mr. Mangold indicated that they are

1 continuing to negotiate a form of Consent Order. In the interim, the Division requested that a hearing
2 be scheduled.

3 On September 17, 2009, by Procedural Order, a Hearing shall be held on January 25, 2010, at
4 10:00 a.m. at the Commission's offices, 1200 West Washington Street, Hearing Room 1, Phoenix,
5 Arizona. It was further ordered that the parties shall reserve January 26, 27, and 28, 2010, for
6 additional days of hearing, if necessary.

7 On January 20, 2010, counsel for the Division and Robert W. Mangold, OSMI, and SEI
8 (collectively "Respondents") discussed the possibility of resolution of this matter by consent
9 agreement. A consent agreement could not be finalized and it was agreed that a hearing in this matter
10 could be significantly expedited if the parties could come to some sort of agreement with respect to
11 various evidentiary and/or factual matters. Michele M. Mangold still seeks a hearing regarding the
12 liability of the marital community and her liability with regard to any Division allegations, each of
13 which she unequivocally denies. Accordingly, counsel for the Division and Respondents (also
14 referred to as "the Parties") stipulate to the following facts, provided however that Respondents admit
15 to the following facts on for purposes of this proceeding and any other administrative proceeding
16 before the Commission or any other state agency:

17 1. Robert W. Mangold ("MANGOLD") is an individual residing in Maricopa Count,
18 Arizona. MANGOLD (CRD#1300709) is currently not employed by a securities dealer and has
19 not been a registered securities salesman since January 2005.

20 2. One Source Mortgage & Investments, Inc., ("OSMI") is a corporation incorporated in
21 Arizona with its principal place of business in Scottsdale, Arizona.

22 3. Strategic Equity Investments, LLC ("SEI") is a limited liability company formed in
23 Arizona with a principal place of business in Scottsdale, Arizona.

24 4. MANGOLD is the Chief Executive Officer and Director of OSMI and is the sole
25 member of SEI.

26 5. MANGOLD has been a resident of the state of Arizona since at least 2005.

1 6. At all relevant times, Michelle Mangold ("M. MANGOLD") was the spouse of
2 Respondent MANGOLD.

3 7. At all relevant times, Respondent MANGOLD was acting for his own benefit and for
4 the benefit of OSMI and SEI for which he was the only member.

5 8. ~~At all relevant times, Respondent MANGOLD was acting for his own benefit and~~
6 ~~for the benefit or in furtherance of the marital community.~~ RM

7 9. MANGOLD, individually or through his entities OSMI or SEI, owned and
8 operated the following websites: <http://www.profitfromyourmortgage.com>;
9 <http://www.foreclosuresinyourIRA.com>; <http://buyforeclosuredeals.net>; and
10 <http://www.strategiequityinvestments.com>.

11 10. MANGOLD, through his respective websites and/or personal solicitations, disclosed
12 to Potential Arizona Investors ("PAI") and/or investors that he had been in the mortgage lending
13 and/or real estate business for over 15 years, had authored various real estate investing books,
14 and/or had a method to assist individuals to become cash millionaires within ten (10) years.

15 11. MANGOLD, individually or through his entities OSMI and SEI, offered multiple
16 options for investment, mainly centered on investing home equity or cash to purchase real estate
17 foreclosure property and the underlying mortgage note. MANGOLD stated he had strategic
18 partnerships that allowed him to purchase discounted foreclosure properties and notes in bulk. The
19 real estate foreclosure properties would be rehabilitated to be rented or resold. The underlying
20 mortgage notes would be serviced to obtain interest payments due and/or the notes resold for a
21 profit.

22 12. From at least July 2006 to December 2007, MANGOLD, individually or through his
23 entities OSMI and SEI, offered and/or sold the various investment opportunities, within or from
24 Arizona, through personal or website solicitations. The various investment opportunities offered
25 and/or sold were (A) OSMI profit sharing arrangements projecting 14% or greater returns; (B) SEI
26 membership interests in an LLC, which each would derive returns based on the real estate

1 foreclosure property transactions; (C) OSMI notes; and (D) SEI notes. The Respondents raised a
2 total sum of at least \$4,965,982.00 from investors.

3 **A. OSMI PROFIT SHARING AGREEMENT**

4 13. From July 2006 to August 2006, MANGOLD, on behalf of OSMI, sold investment
5 contracts to at least five (5) investors, within or from Arizona, for a total of \$500,000.00.

6 14. OSMI solicited investors residing in Arizona through websites and at seminars
7 where MANGOLD was the presenter.

8 15. On or about July 2006, an Arizona investor visited the website
9 www.profitfromyourmortgage.com and thereafter contacted MANGOLD.

10 16. MANGOLD is the registrant and administrative contact for the website
11 <http://www.profitfromyourmortgage.com>.

12 17. A subsequent meeting in Arizona occurred between MANGOLD, acting
13 individually or on behalf of OSMI, and the investor. During the meeting, MANGOLD discussed
14 and described the investment opportunity.

15 18. MANGOLD stated that he had an inside track with banks because of the large
16 volume of business he did with them and thus he was able to purchase foreclosed real estate assets
17 (“REOs”) at a discount and that such opportunities were not available to the general public.

18 19. On or about August 1, 2006, MANGOLD sold an investment contract, within or
19 from Arizona. The agreement (titled as a “Profit Sharing Agreement” on the document provided by
20 MANGOLD) was executed by OSMI and the investor. The agreement was signed by MANGOLD,
21 on behalf of OSMI, as its president and CEO.

22 20. Under the terms of the Profit Sharing Agreement, the investor agreed to invest
23 money that would be used to purchase nonperforming mortgage notes of REOs for a total of
24 \$100,000. MANGOLD represented that the REOs were discounted for sale as their total unpaid
25 principal balance was far greater than their sale price.

26

1 21. Under the terms of the Profit Sharing Agreement, OSMI and the investor agreed to
2 the following:

3 a) OSMI would service the notes, collect the monthly loan payments due,
4 and/or resell the pool of REO notes for a profit;

5 b) OSMI would be paid a monthly servicing fee for each property serviced and
6 would continue to provide such service until all of the properties were sold. The investor could not
7 terminate the servicing arrangement unless mutually agreed to by OSMI;

8 c) The investor would execute a durable and irrevocable power of attorney to
9 OSMI to authorize OSMI to sign on the investor's behalf with regards to all expenditures and
10 transactions related to the pool of REO notes;

11 d) The investor would "not subordinate these assets or sell these assets to any
12 party other than at OSMI's direction";

13 e) OSMI would provide to the investor a monthly accounting of any payments
14 due to the investor and the profit distribution would be provided to the investor the following
15 month after each property was sold;

16 f) OSMI would not subordinate the assets to any other party; and

17 g) The investor and OSMI would each receive 50% of the net profits.

18 22. MANGOLD selected and/or obtained the REOs without any investor input or
19 oversight. As part of the Profit Sharing Agreement, an attachment titled "Schedule A" was
20 included that listed the address location, city, state, unpaid principal balance, and sale price of each
21 REO property and related mortgage note that the investor's monies would be used to purchase.
22 Some REOs were obtained through the purchase of tax lien, tax deed sale or from Mortgage
23 Assistance Corporation, a Texas corporation that held title to certain REO properties.

24 23. MANGOLD also represented to the investor that a "deed" for each property would
25 secure the investment, that each deed would be executed and ownership would be titled in the
26 investor's name, and/or that there was "no risk" since each deed would be in the investor's name. *RM*

1 The properties were detailed in the Schedule A submitted to the investor; however, no deeds of any
2 type were executed in the investor's name in connection with all (if even any) of the properties
3 listed in the Schedule A.

4 24. The investor was not told that another investor had also been given title and/or
5 ownership interest in the same property. In at least one instance, multiple investors were provided
6 a divided ownership interest in the same underlying property securing the investment when they
7 were provided a Schedule A allegedly represented the properties that would be placed in "deed" in
8 the investor's name, securing an undivided interest in the property, and securing the investment.
9 MANGOLD provided the same property to a separate investor as security for his investment.

10 25. In at least one instance, MANGOLD provided the investor with a report that
11 detailed or updated the status of the underlying properties. This report stated that certain properties
12 listed in the investor's Schedule A had been sold for a profit. Yet, the investor has not received any
13 share of the profits made.

14 26. MANGOLD failed to disclose to investors that they could lose all or a substantial
15 amount of their investments since their security interests were not perfected, were subordinate in
16 priority, or that real estate valuations could depreciate below the purchase price of the notes. In at
17 least one instance, MANGOLD stated that there was no risk at all because the investor would be
18 secured.

19 27. MANGOLD represented to the investor that the term of the Profit Sharing
20 Agreement would be 12 to 18 months; however, the investor did not receive any payment in
21 accordance with MANGOLD's representation or the terms of the Profit Sharing Agreement.

22 28. At least five (5) investors executed a profit sharing agreement with the same
23 material terms and characteristics as described above.

24 29. The investment contracts are not registered with the Commission.

25 30. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a
26 registered salesman with the Commission.

B. SEI MEMBERSHIP INTERESTS IN AN LLC

1
2 31. From on or about July 2006 to August 2007, MANGOLD, on behalf of SEI, offered
3 and sold investment contracts, within or from Arizona for a total of at least \$2,175,482.00.

4 32. Investors were offered membership interests into certain Texas limited liability
5 companies (LLC) in which SEI was a member and manager. Each investor was made a member of
6 the LLC, was given limited powers, and profits were to be paid out to investors proportionate to
7 their percentage of contribution. At least four (4) such LLCs were established and interests were
8 sold to at least 11 investors.

9 33. The LLC would pool the investor money to purchase nonperforming mortgage notes
10 of REOs.

11 34. Concurrent with the LLC operating agreement, a Servicing Agreement was included
12 as an attachment, which stated that the LLC was engaging SEI to service all the REOs purchased
13 by the LLC.

14 35. MANGOLD applied his experience and expertise in selecting and choosing which
15 REOs to acquire. In some instances, these assets were already chosen by MANGOLD prior to the
16 investor's investment and participation as an LLC member, as evidenced by an "Exhibit B Asset
17 List" included with the LLC operating agreement that listed a series of REO properties that
18 purportedly secured the investments made by the LLC.

19 36. An LLC operating agreement was provided to investors that detailed the rights of
20 the parties. The LLC operating agreement contained the following:

- 21 a) Management of the LLC is vested in the Manager;
22 b) SEI is the Manager;
23 c) As Manager, SEI has the authority to:
24 1. Enter into and execute all agreements, contracts, and related documents
25 to run the business;
26 2. Carry out the business of the LLC;

- 1 3. Enter into insurance contracts for the LLC;
- 2 4. Employ people and set such compensation; and
- 3 5. "To sell assets to another investor as well as maintain servicing and/or
- 4 obtain other incentives as deemed in the best interest of the company."

5 d) The Members were given limited powers, such as modifying or amending
6 the operating agreement and Servicing Agreement; however, such actions required unanimous
7 consent of all members and thus SEI, as a member, could block or reject such attempts.

8 37. The LLC operating agreement was signed by MANGOLD, on behalf of SEI, as its
9 president. SEI is also listed as "Member and Manager" on the signature page.

10 38. Furthermore, pursuant to the Servicing Agreement, the investors relied on SEI to,
11 among other things:

- 12 a) Manage, operate, control, rent and lease the REOs;
- 13 b) Contract or make all necessary repairs;
- 14 c) Collect all payments due;
- 15 d) Inspect the properties and evict tenants as needed; and
- 16 e) Provide periodic reporting.

17 39. The "Exhibit B Asset List" generally provided the address, city, state, valuation and
18 unpaid principal balance of the underlying REO properties.

19 40. All the REO properties are located outside the state of Arizona. In at least one
20 instance, the investors are located in Arizona and California and the 28 REO properties are all
21 located in various cities in Michigan.

22 41. SEI did not provide documentation to investors that evidenced the investors'
23 beneficial title and/or perfected security interests in the REO properties.

24 42. MANGOLD, individually or on behalf of SEI, described the investment as safe;
25 however, MANGOLD and SEI failed to disclose to investors that they could lose all or a
26

1 substantial amount of their investments since the debt instruments held by the LLC, in which the
2 investors had an ownership interest, were not secured or that the security interest was not perfected.

3 43. The investment contracts are not registered with the Commission.

4 44. At all times relevant, SEI was not a registered dealer and MANGOLD was not a
5 registered salesman with the Commission.

6 **C. OSMI NOTES**

7 45. From at least August 4, 2006 to December 14, 2006, MANGOLD, on behalf of
8 OSMI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from
9 Arizona.

10 46. The OSMI notes stated an annual rate of return of twelve percent (12%) and were
11 sold to at least seven (7) investors for a total of \$471,500.00.

12 47. MANGOLD, on behalf of OSMI, represented that the OSMI note repayments would
13 be derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed
14 the safety of the purchase of the note since it would be secured by real property that would be
15 detailed in a security agreement.

16 48. The note agreement contained, among other things, the following:

17 a) OSMI is the Borrower of the note and would pay interest at the stated rate of
18 return;

19 b) The investor is the Lender of the note;

20 c) The term of the note is two (2) or three (3) years; and

21 d) A term that stated, "Security of Payment: A security interest in Instruments
22 as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

23 49. MANGOLD signed the documents as president and CEO of OSMI.

24 50. The "Exhibit A" (sometimes titled "Schedule A") is a document that listed, in
25 general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying
26 REO properties.

1 51. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of OSMI,
2 executed a document titled "Security Agreement," which among other things, contained the
3 following:

- 4 a) OSMI is the Debtor;
- 5 b) Investor is the Secured Party on the REOs contained in Exhibit A;
- 6 c) The amount secured, as listed in the Exhibit A, is equal to or greater than the
7 note amount;
- 8 d) "Debtor owns the Collateral and has the authority to grant this security
9 interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for
10 taxes not yet due";
- 11 e) Debtor would, "[s]ign and deliver to Secured Party any documents or
12 instruments that Secured Party considers necessary to obtain, maintain, and perfect this security
13 interest in the Collateral";
- 14 f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without
15 paying off the [investor's] underlying Note within 30 days"; and
- 16 g) "[...], the Debtor is not allowed to substitute collateral without first
17 obtaining written permission from the Secured Party."

18 52. However, OSMI did not always have ownership and/or a perfected security interest
19 in the underlying REO property at the time of executing the Security Agreement with the investor
20 and thus could not provide ownership and/or perfected security interest to the investors.

21 53. To date, the investors have not received any documents evidencing their ownership
22 and/or security interest in the underlying properties.

23 54. The investor was not told that another investor had also been given title and/or
24 ownership interest in the same property. In at least one instance, MANGOLD on behalf of OSMI,
25 provided multiple investors a divided interest in the same REO property securing the investment
26

1 when he provided an investor a security agreement and "Exhibit A" that contained a property that
2 was provided to another separate investor also securing the other investor's investment.

3 55. MANGOLD failed to disclose to investors that they could lose all or a substantial
4 amount of their investments since their security interests were not perfected, were subordinate in
5 priority, or that real estate valuations could depreciate below the purchase price of the notes.

6 56. The notes are not registered with the Commission.

7 57. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a
8 registered salesman with the Commission.

9 **D. SEI NOTES**

10 58. From at least January 2, 2007 to December 10, 2007, MANGOLD, on behalf of
11 SEI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from
12 Arizona.

13 59. The SEI notes, with a promised annual rate of return of twelve percent (12%) or
14 fourteen percent (14%), were sold to at least twenty (20) investors for a total of at least
15 \$1,819,000.00, within or from Arizona.

16 60. MANGOLD, on behalf of SEI, represented that the SEI note repayments would be
17 derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the
18 safety of the purchase of the note since it would be secured by real property that would be detailed
19 in a security agreement.

20 61. The note agreement contained, among other things, the following:

21 a) SEI is the Borrower of the note and would pay interest at the stated rate of
22 return;

23 b) The investor is the Lender of the note;

24 c) The term of the note is two (2) or three (3) years; and

25 d) "Security of Payment: A security interest in Instruments as per Security
26 Agreement of even dates herewith between the parties hereto as in Exhibit A."

1 62. MANGOLD signed the documents as president and CEO of SEI.

2 63. The "Exhibit A" (sometimes also titled "Schedule A") is a document that listed, in
3 general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying
4 REO properties.

5 64. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of SEI,
6 executed a document titled "Security Agreement," which among other things, contained the
7 following:

8 a) SEI is the Debtor;

9 b) Investor is the Secured Party on the REOs contained in Exhibit A;

10 c) The amount secured, as listed in the Exhibit A, is greater than or equal to the
11 note amount;

12 d) "Debtor owns the Collateral and has the authority to grant this security
13 interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for
14 taxes not yet due";

15 e) Debtor would, "[s]ign and deliver to Secured Party any documents or
16 instruments that Secured Party considers necessary to obtain, maintain, and perfect this security
17 interest in the Collateral";

18 f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without
19 paying off the [investor's] underlying Promissory Note within 30 days"; and

20 g) "[...], the Debtor is not allowed to substitute collateral without first
21 obtaining written permission from the Secured Party."

22 65. However, SEI did not always have ownership and/or a perfected security interest in
23 the underlying same REO property at the time of executing the Security Agreement with the
24 investor and thus could not provide ownership and/or perfected security interest to the investors.

25 66. To date, the investors have not received any documents evidencing their ownership
26 and/or security interest in the underlying properties.

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One Source Mortgage & Investments, Inc.,

Robert W. Mangold

By Robert W. Mangold

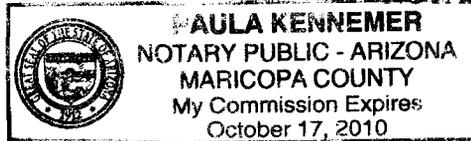
Its Director and CEO

STATE OF ARIZONA)
) ss
County of Maricopa

SUBSCRIBED AND SWORN TO BEFORE me this 22 day of January, ²⁰¹⁰ ~~2009~~.

Paula Kenemer

NOTARY PUBLIC



My commission expires:

10-17-10

Strategic Equity Investments, LLC

Robert W. Mangold

By Robert W. Mangold

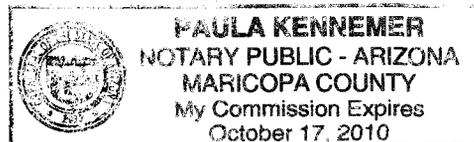
Its Managing Member

STATE OF ARIZONA)
) ss
County of Maricopa

SUBSCRIBED AND SWORN TO BEFORE me this 22 day of January, ²⁰¹⁰ ~~2009~~.

Paula Kenemer

NOTARY PUBLIC



My commission expires:

10-17-10

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By: 
Phong (Paul) Huygh
Attorney for the Securities Division of
the Arizona Corporation Commission