

ORIGINAL



0000109448

RECEIVED

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2010 MAR 29 A 10:34

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

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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

NOTICE OF FILING OF SECURITIES
DIVISION'S RECOMMENDED FINDINGS OF
FACT, CONCLUSIONS OF LAW AND
ORDER

Arizona Corporation Commission

DOCKETED

MAR 29 2010

DOCKETED BY [Signature]

On September 17, 2009, by Procedural Order, a Hearing was scheduled for January 25, 2010, at 10:00 a.m. at the Commission's offices. It was further ordered the parties should reserve January 26, 27, and 28, 2010, for additional days of hearing, if necessary. Administrative Law Judge Marc E. Stern ("ALJ Stern") presided over the hearing.

On January 25 and 28, 2010, hearings were conducted before ALJ Stern. The Division was represented by counsel and Respondents Mangold and M. Mangold appeared on their own behalf. Mangold also appeared on behalf of OSMI and SEI.

The Division hereby gives notice that it has filed a recommended order and provided a copy of such to the above named Respondents at the last known address of record.

RESPECTFULLY SUBMITTED this 29th day of March, 2010.

By:

[Signature]
Phong (Paul) Huynh
Attorney for the Securities Division of
the Arizona Corporation Commission

1 ORIGINAL AND EIGHT (8) COPIES of the foregoing
2 filed this 29th day of March, 2010, with

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, AZ 85007

7 COPY of the foregoing hand-delivered this
8 29th day of March, 2010, to:

9 ALJ Marc Stern
10 Arizona Corporation Commission/Hearing Division
11 1200 West Washington
12 Phoenix, AZ 85007

13 COPY of the foregoing mailed and Emailed
14 this 29th day of March, 2010, to:

15 Robert W. Mangold & Michelle Mangold
16 23251 N. 38th Place
17 Phoenix, AZ. 85050
18 Email: bmangold@osmi.net

19 One Source Mortgage & Investments, Inc.,
20 Attn: Robert W. Mangold, Statutory Agent
21 11000 N Scottsdale Rd #121
22 Scottsdale, AZ 85254

23 Strategic Equity Investments, LLC,
24 Attn: Robert W. Mangold, Statutory Agent
25 11000 N Scottsdale Rd #121
26 Scottsdale, AZ 85254

By: 

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 COMMISSIONERS

3 KRISTIN K. MAYES, Chairman
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

8 In the matter of:) DOCKET NO. S-20669A-09-0187
9)
10 ROBERT W. MANGOLD AND)
11 MICHELLE M. MANGOLD, husband and) **RECOMMENDED FINDINGS OF**
12 wife;) **FACT, CONCLUSIONS OF LAW AND**
13) **ORDER**
14 ONE SOURCE MORTGAGE &)
15 INVESTMENTS, INC., an Arizona)
16 corporation;) DECISION NO. _____
17)
18 STRATEGIC EQUITY INVESTMENTS,)
19 LLC, an Arizona limited liability company;)
20)
21 Respondents.)

22 DATES OF HEARING: January 25 and 28, 2010

23 PLACE OF HEARING: Phoenix, Arizona

24 PRESIDING OFFICER: Marc E. Stern

25 APPEARANCES: Securities Division of the Arizona Corporation Commission
26 represented by Phong (Paul) Huynh; Respondents Robert W.
Mangold and Michelle Mangold, Robert W. Mangold on behalf of
One Source Mortgage & Investments, Inc., and Strategic Equity
Investments, LLC

BY THE COMMISSION:

On April 21, 2009, the Securities Division (“Division”) of the Arizona Corporation Commission (“Commission”) filed a Notice of Opportunity for Hearing regarding a Proposed Order to Cease and Desist, Order for Restitution, for Administrative Penalties, and Other Affirmative Action (“Notice”) against Robert W. Mangold (“Mangold”) and Michelle M. Mangold (“M. Mangold” or “Respondent Spouse”), husband and wife, One Source Mortgage & Investments, Inc. (“OSMI”) and Strategic Equity Investments, LLC (“SEI”) in which the Division alleged multiple violations of the

1 Arizona Securities Act (“Act”) in connection with the offer and sale of securities in the form of notes
2 and/or investment contracts.

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

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

8 On September 17, 2009, at the status conference, the Division appeared with counsel and
9 Mangold appeared on his own behalf and on behalf of the remaining Respondents. The Division and
10 Mangold indicated that they were continuing to negotiate a form of consent. In the interim, the
11 Division requested that a hearing be scheduled.

12 On September 17, 2009, by Procedural Order, a Hearing was scheduled for January 25, 2010,
13 at 10:00 a.m. at the Commission’s offices, 1200 West Washington Street, Hearing Room 1, Phoenix,
14 Arizona. It was further ordered the parties should reserve January 26, 27, and 28, 2010, for additional
15 days of hearing, if necessary. Administrative Law Judge Marc E. Stern (“ALJ Stern”) presided over
16 the hearing.

17

18 * * * * *

19 On January 25, 2010, by stipulation between the Division and Respondents Mangold, OSMI
20 and SEI, Respondents Mangold, OSMI and SEI stipulated to the admission of certain facts only for
21 purposes of this proceeding and any other administrative proceeding before the Commission or
22 any other state agency. The stipulation of facts was filed with the Commission and admitted as an
23 exhibit. The Findings of Fact are consistent with the stipulation of facts admitted and entered. The
24 following exhibits were admitted into evidence: S-1 through S-28b, S-29 through S-33b, S-33c,
25 except for the attorney cover letter attached to it, S-34 through S-60.

26

1 On January 28, 2010, a hearing was conducted before ALJ Stern. The Division was
2 represented by counsel and Respondents Mangold and M. Mangold appeared on their own behalf.
3 Mangold also appeared on behalf of OSMI and SEI.

4 Having considered the entire record herein and being fully advised in the premises, the
5 Commission finds, concludes and orders that:

6
7 **I.**

8 **FINDINGS OF FACT**

9 1. Robert W. Mangold ("MANGOLD") is an individual residing in Maricopa County,
10 Arizona. MANGOLD (CRD#1300709) is currently not employed by a securities dealer and has not
11 been a registered securities salesman since January 2005.¹

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

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

16 4. MANGOLD is the Chief Executive Officer and Director of OSMI and is the sole
17 member of SEI.⁴

18 5. MANGOLD has been a resident of the state of Arizona since at least 2005.⁵

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

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

23
24 ¹ Stipulation of Facts #1.

² Stipulation of Facts #2.

³ Stipulation of Facts #3.

⁴ Stipulation of Facts #4.

⁵ Stipulation of Facts #5.

⁶ Stipulation of Facts #6.

⁷ Stipulation of Facts #7.

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

5 9. MANGOLD, through his respective websites and/or personal solicitations, disclosed
6 to Potential Arizona Investors (“PAI”) and/or investors that he had been in the mortgage lending
7 and/or real estate business for over 15 years, had authored various real estate investing books,
8 and/or had a method to assist individuals to become cash millionaires within ten (10) years.⁹

9 10. MANGOLD, individually or through his entities OSMI and SEI, offered multiple
10 options for investment, mainly centered on investing home equity or cash to purchase real estate
11 foreclosure property and the underlying mortgage note. MANGOLD stated he had strategic
12 partnerships that allowed him to purchase discounted foreclosure properties and notes in bulk. The
13 real estate foreclosure properties would be rehabilitated to be rented or resold. The underlying
14 mortgage notes would be serviced to obtain interest payments due and/or the notes resold for a
15 profit.¹⁰

16 11. From at least July 2006 to December 2007, MANGOLD, individually or through his
17 entities OSMI and SEI, offered and/or sold the various investment opportunities, within or from
18 Arizona, through personal or website solicitations. The various investment opportunities offered
19 and/or sold were (A) OSMI profit sharing arrangements projecting 14% or greater returns; (B) SEI
20 membership interests in an LLC, which each would derive returns based on the real estate
21 foreclosure property transactions; (C) OSMI notes; and (D) SEI notes. The Respondents raised a
22 total sum of at least \$4,965,982.00 from investors.¹¹

23
24
25 ⁸ Stipulation of Facts #9.

26 ⁹ Stipulation of Facts #10.

¹⁰ Stipulation of Facts #11.

¹¹ Stipulation of Facts #12.

A. OSMI PROFIT SHARING AGREEMENT

12. From July 2006 to August 2006, MANGOLD, on behalf of OSMI, sold investment contracts to at least five (5) investors, within or from Arizona, for a total of \$500,000.00.¹²

13. OSMI solicited investors residing in Arizona through websites and at seminars where MANGOLD was the presenter.¹³

14. On or about July 2006, an Arizona investor visited the website www.profitfromyourmortgage.com and thereafter contacted MANGOLD.¹⁴

15. MANGOLD is the registrant and administrative contact for the website <http://www.profitfromyourmortgage.com>.¹⁵

16. A subsequent meeting in Arizona occurred between MANGOLD, acting individually or on behalf of OSMI, and the investor. During the meeting, MANGOLD discussed and described the investment opportunity.¹⁶

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

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

19. Under the terms of the Profit Sharing Agreement, the investor agreed to invest money that would be used to purchase nonperforming mortgage notes of REOs for a total of

¹² Stipulation of Facts #13.

¹³ Stipulation of Facts #14.

¹⁴ Stipulation of Facts #15.

¹⁵ Stipulation of Facts #16.

¹⁶ Stipulation of Facts #17.

¹⁷ Stipulation of Facts #18.

¹⁸ Stipulation of Facts #19.

1 \$100,000. MANGOLD represented that the REOs were discounted for sale as their total unpaid
2 principal balance was far greater than their sale price.¹⁹

3 20. Under the terms of the Profit Sharing Agreement, OSMI and the investor agreed to
4 the following:²⁰

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

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

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

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

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

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

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

20 21. MANGOLD selected and/or obtained the REOs without any investor input or
21 oversight. As part of the Profit Sharing Agreement, an attachment titled "Schedule A" was
22 included that listed the address location, city, state, unpaid principal balance, and sale price of each
23 REO property and related mortgage note that the investor's monies would be used to purchase.

24
25
26 ¹⁹ Stipulation of Facts #20.

²⁰ Stipulation of Facts #21(a)-(g).

1 Some REOs were obtained through the purchase of tax lien, tax deed sale or from Mortgage
2 Assistance Corporation, a Texas corporation that held title to certain REO properties.²¹

3 22. MANGOLD also represented to the investor that a “deed” for each property would
4 secure the investment, that each deed would be executed and ownership would be titled in the
5 investor’s name. The properties were detailed in the Schedule A submitted to the investor;
6 however, no deeds of any type were executed in the investor’s name in connection with all (if even
7 any) of the properties listed in the Schedule A.²²

8 23. The investor was not told that another investor had also been given title and/or
9 ownership interest in the same property. In at least one instance, multiple investors were provided
10 a divided ownership interest in the same underlying property securing the investment when they
11 were provided a Schedule A allegedly represented the properties that would be placed in “deed” in
12 the investor’s name, securing an undivided interest in the property, and securing the investment.
13 MANGOLD provided the same property to a separate investor as security for his investment.²³

14 24. In at least one instance, MANGOLD provided the investor with a report that
15 detailed or updated the status of the underlying properties. This report stated that certain properties
16 listed in the investor’s Schedule A had been sold for a profit. Yet, the investor has not received any
17 share of the profits made.²⁴

18 25. MANGOLD failed to disclose to investors that they could lose all or a substantial
19 amount of their investments since their security interests were not perfected, were subordinate in
20 priority, or that real estate valuations could depreciate below the purchase price of the notes. In at
21 least one instance, MANGOLD stated that there was no risk at all because the investor would be
22 secured.²⁵

23
24
25 ²¹ Stipulation of Facts #22.

²² Stipulation of Facts #23.

²³ Stipulation of Facts #24.

²⁴ Stipulation of Facts #25.

²⁵ Stipulation of Facts #26.

1 34. MANGOLD applied his experience and expertise in selecting and choosing which
2 REOs to acquire. In some instances, these assets were already chosen by MANGOLD prior to the
3 investor's investment and participation as an LLC member, as evidenced by an "Exhibit B Asset
4 List" included with the LLC operating agreement that listed a series of REO properties that
5 purportedly secured the investments made by the LLC.³⁴

6 35. An LLC operating agreement was provided to investors that detailed the rights of
7 the parties. The LLC operating agreement contained the following:³⁵

- 8 a) Management of the LLC is vested in the Manager;
- 9 b) SEI is the Manager;
- 10 c) As Manager, SEI has the authority to:
 - 11 1. Enter into and execute all agreements, contracts, and related documents
 - 12 to run the business;
 - 13 2. Carry out the business of the LLC;
 - 14 3. Enter into insurance contracts for the LLC;
 - 15 4. Employ people and set such compensation; and
 - 16 5. "To sell assets to another investor as well as maintain servicing and/or
 - 17 obtain other incentives as deemed in the best interest of the company."
- 18 d) The Members were given limited powers, such as modifying or amending
19 the operating agreement and Servicing Agreement; however, such actions required unanimous
20 consent of all members and thus SEI, as a member, could block or reject such attempts.

21 36. The LLC operating agreement was signed by MANGOLD, on behalf of SEI, as its
22 president. SEI is also listed as "Member and Manager" on the signature page.³⁶

23 37. Furthermore, pursuant to the Servicing Agreement, the investors relied on SEI to,
24 among other things:³⁷

25 ³⁴ Stipulation of Facts #35.

26 ³⁵ Stipulation of Facts #36(a)-(d).

³⁶ Stipulation of Facts #37.

³⁷ Stipulation of Facts #38(a)-(e).

- 1 a) Manage, operate, control, rent and lease the REOs;
- 2 b) Contract or make all necessary repairs;
- 3 c) Collect all payments due;
- 4 d) Inspect the properties and evict tenants as needed; and
- 5 e) Provide periodic reporting.

6 38. The "Exhibit B Asset List" generally provided the address, city, state, valuation and
 7 unpaid principal balance of the underlying REO properties.³⁸

8 39. All the REO properties are located outside the state of Arizona. In at least one
 9 instance, the investors are located in Arizona and California and the 28 REO properties are all
 10 located in various cities in Michigan.³⁹

11 40. SEI did not provide documentation to investors that evidenced the investors'
 12 beneficial title and/or perfected security interests in the REO properties.⁴⁰

13 41. MANGOLD, individually or on behalf of SEI, described the investment as safe;
 14 however, MANGOLD and SEI failed to disclose to investors that they could lose all or a
 15 substantial amount of their investments since the debt instruments held by the LLC, in which the
 16 investors had an ownership interest, were not secured or that the security interest was not
 17 perfected.⁴¹

18 42. The investment contracts are not registered with the Commission.⁴²

19 43. At all times relevant, SEI was not a registered dealer and MANGOLD was not a
 20 registered salesman with the Commission.⁴³

21
 22
 23

24 ³⁸ Stipulation of Facts #39.
 25 ³⁹ Stipulation of Facts #40.
 26 ⁴⁰ Stipulation of Facts #41.
⁴¹ Stipulation of Facts #42.
⁴² Stipulation of Facts #43.
⁴³ Stipulation of Facts #44, Ex. S-50.

C. OSMI NOTES

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

44. From at least August 4, 2006 to December 14, 2006, MANGOLD, on behalf of OSMI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from Arizona.⁴⁴

45. The OSMI notes stated an annual rate of return of twelve percent (12%) and were sold to at least seven (7) investors for a total of \$471,500.00.⁴⁵

46. MANGOLD, on behalf of OSMI, represented that the OSMI note repayments would be derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the safety of the purchase of the note since it would be secured by real property that would be detailed in a security agreement.⁴⁶

47. The note agreement contained, among other things, the following:⁴⁷

- a) OSMI is the Borrower of the note and would pay interest at the stated rate of return;
- b) The investor is the Lender of the note;
- c) The term of the note is two (2) or three (3) years; and
- d) A term that stated, "Security of Payment: A security interest in Instruments as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

48. MANGOLD signed the documents as president and CEO of OSMI.⁴⁸

49. The "Exhibit A" (sometimes titled "Schedule A") is a document that listed, in general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying REO properties.⁴⁹

⁴⁴ Stipulation of Facts #45.
⁴⁵ Stipulation of Facts #46.
⁴⁶ Stipulation of Facts #47.
⁴⁷ Stipulation of Facts #48(a)-(d).
⁴⁸ Stipulation of Facts #49.
⁴⁹ Stipulation of Facts #50.

1 50. 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.⁵⁰

- 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 51. 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.⁵¹

21 52. To date, the investors have not received any documents evidencing their ownership
22 and/or security interest in the underlying properties.⁵²

23 53. 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 _____
⁵⁰ Stipulation of Facts #51(a)-(g).

⁵¹ Stipulation of Facts #52.

⁵² Stipulation of Facts #53.

1 provided multiple investors a divided interest in the same REO property securing the investment
 2 when he provided an investor a security agreement and "Exhibit A" that contained a property that
 3 was provided to another separate investor also securing the other investor's investment.⁵³

4 54. MANGOLD failed to disclose to investors that they could lose all or a substantial
 5 amount of their investments since their security interests were not perfected, were subordinate in
 6 priority, or that real estate valuations could depreciate below the purchase price of the notes.⁵⁴

7 55. The notes are not registered with the Commission.⁵⁵

8 56. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a
 9 registered salesman with the Commission.⁵⁶

10 D. SEI NOTES

11 57. From at least January 2, 2007 to December 10, 2007, MANGOLD, on behalf of
 12 SEI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from
 13 Arizona.⁵⁷

14 58. The SEI notes, with a promised annual rate of return of twelve percent (12%) or
 15 fourteen percent (14%), were sold to at least twenty (20) investors for a total of at least
 16 \$1,819,000.00, within or from Arizona.⁵⁸

17 59. MANGOLD, on behalf of SEI, represented that the SEI note repayments would be
 18 derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the
 19 safety of the purchase of the note since it would be secured by real property that would be detailed
 20 in a security agreement.⁵⁹

21 60. The note agreement contained, among other things, the following:⁶⁰

22
 23 ⁵³ Stipulation of Facts #54.

24 ⁵⁴ Stipulation of Facts #55.

25 ⁵⁵ Stipulation of Facts #56.

26 ⁵⁶ Stipulation of Facts #57, Ex. S-50.

⁵⁷ Stipulation of Facts #58

⁵⁸ Stipulation of Facts #59.

⁵⁹ Stipulation of Facts #60.

⁶⁰ Stipulation of Facts #61(a)-(d).

- 1 a) SEI is the Borrower of the note and would pay interest at the stated rate of
2 return;
- 3 b) The investor is the Lender of the note;
- 4 c) The term of the note is two (2) or three (3) years; and
- 5 d) "Security of Payment: A security interest in Instruments as per Security
6 Agreement of even dates herewith between the parties hereto as in Exhibit A."

7 61. MANGOLD signed the documents as president and CEO of SEI.⁶¹

8 62. The "Exhibit A" (sometimes also titled "Schedule A") is a document that listed, in
9 general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying
10 REO properties.⁶²

11 63. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of SEI,
12 executed a document titled "Security Agreement," which among other things, contained the
13 following:⁶³

- 14 a) SEI is the Debtor;
- 15 b) Investor is the Secured Party on the REOs contained in Exhibit A;
- 16 c) The amount secured, as listed in the Exhibit A, is greater than or equal to the
17 note amount;
- 18 d) "Debtor owns the Collateral and has the authority to grant this security
19 interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for
20 taxes not yet due";
- 21 e) Debtor would, "[s]ign and deliver to Secured Party any documents or
22 instruments that Secured Party considers necessary to obtain, maintain, and perfect this security
23 interest in the Collateral";
- 24

25 _____
26 ⁶¹ Stipulation of Facts #62.

⁶² Stipulation of Facts #63.

⁶³ Stipulation of Facts #64(a)-(g).

1 f) Debtor would not “[s]ell, transfer, or encumber any of the Collateral without
2 paying off the [investor’s] underlying Promissory Note within 30 days”; and

3 g) “[...], the Debtor is not allowed to substitute collateral without first
4 obtaining written permission from the Secured Party.”

5 64. However, SEI did not always have ownership and/or a perfected security interest in
6 the underlying same REO property at the time of executing the Security Agreement with the
7 investor and thus could not provide ownership and/or perfected security interest to the investors.⁶⁴

8 65. To date, the investors have not received any documents evidencing their ownership
9 and/or security interest in the underlying properties.⁶⁵

10 66. The investor was not told that another investor had also been given title and/or
11 ownership interest in the same property. In at least one instance, MANGOLD on behalf of SEI,
12 provided multiple investors a divided interest in the same REO property securing the investment
13 when he provided an investor a security agreement and “Exhibit A” that contained a property that
14 was provided to another separate investor also securing the other investor’s investment.⁶⁶

15 67. MANGOLD failed to disclose to investors that they could lose all or a substantial
16 amount of their investments since their security interests were not perfected, were subordinate in
17 priority, or that real estate valuations could depreciate below the purchase price of the notes.⁶⁷

18 68. The notes are not registered with the Commission.⁶⁸

19 69. At all times relevant, SEI was not a registered dealer and MANGOLD was not a
20 registered salesman with the Commission.⁶⁹

21 70. The amount of Restitution and interest currently outstanding to investors on record
22 with the Division is \$6,224,453.⁷⁰

23 _____
24 ⁶⁴ Stipulation of Facts #65.

⁶⁵ Stipulation of Facts #66.

⁶⁶ Stipulation of Facts #67.

⁶⁷ Stipulation of Facts #68.

⁶⁸ Stipulation of Facts #69.

⁶⁹ Stipulation of Facts #70, Ex. S-50.

⁷⁰ Stipulation of Facts #71.

III.**ORDER**

1
2
3 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, the Commission
4 finds that the following relief is appropriate, in the public interest, and necessary for the protection
5 of investors:

6 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
7 Respondents' agents, employees, successors and assigns, permanently cease and desist from
8 violating the Securities Act.

9 IT IS FURTHER ORDERED that Respondents and Respondent Spouse comply with the
10 attached Order.

11 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that OSMI, SEI and
12 MANGOLD, individually, and the marital community of MANGOLD and Respondent Spouse,
13 jointly and severally shall pay restitution to the Commission in the principal amount of
14 \$5,065,982.00. Payment shall be made to the "State of Arizona" to be placed in an interest bearing
15 account controlled by the Commission. Payment in full shall be due on the 91st day after entry of
16 this order. Within 90 days of the entry of this order, the Securities Division under the discretion of
17 the Director of Securities, may credit the amount of restitution owed by OSMI, SEI, MANGOLD,
18 individually, and the marital community of MANGOLD and Respondent Spouse with the value of
19 any real property assets distributed to the investors by OSMI, SEI, MANGOLD, individually, and
20 the marital community of MANGOLD and Respondent Spouse. OSMI, SEI, MANGOLD,
21 individually, and the marital community of MANGOLD and Respondent Spouse shall have the
22 sole responsibility to establish the value of the distributed assets to the satisfaction of the Securities
23 Division under the discretion of the Director of Securities. OSMI, SEI, MANGOLD, individually,
24 and the marital community of MANGOLD and Respondent Spouse shall provide to the Securities
25 Division, all information and documentation to verify that such restitution has been repaid, which
26 the Securities Division under the discretion of the Director of Securities, may accept or reject.

1 Such documentation shall include at least a valuation of the real property asset prepared by an
2 independent licensed or certified appraiser and a notarized acceptance of such real property asset
3 and valuation by the investor. Any principal amount outstanding shall accrue interest at the rate of
4 10 percent per annum from the date of purchase until paid in full. Interest in the amount of
5 \$1,158,471.02 has accrued from the date of purchase to January 25, 2010.

6 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
7 records of the Commission. Any restitution funds that the Commission cannot disburse because an
8 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
9 investor because the investor is deceased and the Commission cannot reasonably identify and
10 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
11 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
12 Commission. Any funds that the Commission determines it is unable to or cannot feasibly
13 disburse shall be transferred to the general fund of the state of Arizona.

14 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents OSMI, SEI
15 and MANGOLD individually, and the marital community of MANGOLD and Respondent Spouse,
16 jointly and severally shall pay an administrative penalty in the amount of \$150,000.00. Payment
17 shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed
18 by law.

19 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
20 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
21 shall be applied to the penalties obligation.

22 For purposes of this Order, a bankruptcy filing by any of the Respondents or Respondent
23 Spouse shall be an act of default. If any Respondent or Respondent Spouse does not comply with
24 this Order, any outstanding balance may be deemed in default and shall be immediately due and
25 payable. Acceptance of any partial or late payment by the Commission is not a waiver of default
26 by the Commission.

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

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

6 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

7
8
9 CHAIRMAN

COMMISSIONER

10
11 COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation
15 Commission, have hereunto set my hand and caused the
16 official seal of the Commission to be affixed at the
17 Capitol, in the City of Phoenix, this _____ day of
18 _____, 2010.

19
20
21
22
23 ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

24
25
26 DISSENT

DISSENT

24 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
25 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

26 (PTH)