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



ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 594-7470
E-MAIL: securitiesdlv@azcc.gov

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Kristin K. Mayes, Chairman
Gary Pierce
Paul Newman
Sandra D. Kennedy
Bob Stump

FROM: Matthew J. Neubert *[Signature]*
Director of Securities

DATE: July 20, 2010

RE: Default Order against Todd Allan Hoss
Docket No. S-20738A-10-0147

CC: Ernest G. Johnson, Executive Director

Arizona Corporation Commission
DOCKETED

AUG 2 2010

DOCKETED BY *[Signature]*

DOCKET CONTROL

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On April 19, 2010, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Temporary Order to Cease and Desist and Notice of Opportunity for Hearing ("TC&D") against Respondents Todd Allan Hoss ("Hoss"), Rick Sellman and Sellman Weis Mortgage & Investment Corporation. Hoss has not appeared in or defended this matter within the required time limits, despite being served with the TC&D on April 20, 2010.

Please find attached a proposed default Order to Cease and Desist and Order For Administrative Penalties against Hoss ("Order"). The Order finds that beginning in March 2010, Hoss offered securities in the form of investment contracts and/or real property investment contracts.

The Order requires Hoss to pay \$10,000 in administrative penalties. The Order finds that Hoss violated A.R.S. §§ 44-1841 and 44-1842 for selling unregistered securities while not being registered as a dealer or salesman, or exempt from registration. The Order also finds that Hoss violated the anti-fraud provision of the Securities Act, A.R.S. § 44-1991.

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

Originator: William Black

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

In the matter of:
TODD ALLAN HOSS individually and
doing business as Sellman Weis Mortgage &
Investment Corporation and Chesterfield
Mortgage Investment Corporation and
JANE DOE HOSS,
RICK SELLMAN individually and doing
business as Sellman Weis Mortgage &
Investment Corporation and Chesterfield
Mortgage Investment Corporation and
JANE DOE SELLMAN,
SELLMAN WEIS MORTGAGE &
INVESTMENT CORPORATION, an
Arizona corporation,
Respondents.

DOCKET NO. S-20738A-10-0147

DECISION NO. _____

**ORDER TO CEASE AND DESIST AND
ORDER FOR ADMINISTRATIVE
PENALTIES AGAINST RESPONDENT TODD
ALLAN HOSS**

On April 19, 2010, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Temporary Order to Cease and Desist and Notice of Opportunity for Hearing ("TC&D") against Respondents TODD ALLAN HOSS ("HOSS"), RICK SELLMAN and SELLMAN WEIS MORTGAGE & INVESTMENT CORPORATION.

The TC&D specified in two places and, in particular, on the first page in bold print that Respondents had 20 days to request a hearing, and 30 days to file an Answer. The TC&D was served upon HOSS on April 20, 2010. To date, HOSS has not filed either a request for hearing or an answer to the TC&D.

I. FINDINGS OF FACT

1
2 1. TODD ALLAN HOSS (“HOSS”) is an individual doing business from Scottsdale,
3 Arizona as Sellman Weis Mortgage & Investment Corporation, an unincorporated business until
4 April 5, 2010, and Chesterfield Mortgage Investment Corporation.

5 2. RICK SELLMAN (“SELLMAN”) is an individual residing in Maricopa County,
6 Arizona and doing business from Scottsdale, Arizona as Sellman Weis Mortgage & Investment
7 Corporation (“Sellman Weiss”) and Chesterfield Mortgage Investment Corporation (“Chesterfield
8 Mortgage”).

9 3. According to the records of the Arizona Corporation Commission, SELLMAN WEIS
10 MORTGAGE INVESTMENT CORPORATION was incorporated on April 5, 2010 and listed a
11 business address located in Scottsdale, Arizona. SELLMAN is identified as President/Director.

12 4. Beginning in March 2010, HOSS has been offering securities in the form of
13 investment contracts and/or real property investment contracts. The offers made to prospective
14 investors by HOSS include a guarantee to re-purchase the investment within 30 days of written
15 notice from the investor in the event the loan becomes sixty (60) days in arrears.

16 5. HOSS represented to prospective investors that he, through Sellman Weis and
17 Chesterfield Mortgage, was attempting to raise money from prospective investors to fund a \$7.7
18 million loan being sought by an entity that is attempting to purchase a mansion located in Houston,
19 Texas.

20 6. HOSS represented to prospective investors that investors would receive a
21 participation interest in a promissory note to be secured by a first position deed of trust on the
22 mansion located in Houston, Texas.

23 7. HOSS solicited individuals via facsimile correspondence (“correspondence”) and by
24 telephone. The correspondence sent to investors indicated an address for Sellman Weis in
25 Scottsdale, Arizona and further indicated that Chesterfield Mortgage is operating from Scottsdale,
26 Arizona.

1 8. The facsimile number and telephone numbers set forth in the correspondence to
2 prospective investors from HOSS included an area code (480) known to be associated with
3 Scottsdale, Arizona.

4 9. The correspondence to prospective investors also identified HOSS as Executive
5 Vice President of Sellman Weis.

6 10. The correspondence to prospective investors included a five (5) page document
7 titled: "Mortgage Paper Securities, Specific Offering Circular" ("Offering Circular").

8 11. More than one version of the Offering Circular was provided to prospective
9 investors.

10 12. HOSS prepared the various versions of the Offering Circular supplied to investors.

11 13. A version of the Offering Circular identified as being prepared by Chesterfield
12 Mortgage on March 17, 2010, was faxed to a prospective investor on March 21, 2010 and indicated
13 that the 10% loan origination fee and any late fees would be paid to Chesterfield Mortgage.
14 Further, the loan servicing fee would be paid to ABC Mortgage Broker-Dealer, Inc. The loan was
15 presented in the Offering Circular as being interest only with a balloon payment of \$973,000 due
16 on May 1, 2011, the maturity date.

17 14. The facsimile cover sheet attached to the correspondence sent to the prospective
18 investor on March 21, 2010 represented to the prospective investor that Respondents had available
19 for purchase \$1,351,000 of the \$7.7 million loan. The correspondence to the prospective investor
20 set forth that investments could be purchased in various increments if the prospective investor
21 wished to open a new account with Respondents.

22 15. Prospective investors were informed that Respondents intended to supply their own
23 funds, if necessary, to close the balance of the loan because Respondents were committed to
24 making the loan.

25 16. Another version of the Offering Circular, identified as being prepared by Sellman
26 Weis on March 17, 2010, was faxed to a prospective investor on March 22, 2010. The Offering

1 Circular set forth that the 10% loan origination fee and any late fees would be paid to Sellman
2 Weiss from the loan proceeds. Further, the loan servicing fee would be paid to Sellman Weis from
3 monthly payments due to investors and any late charges would also be paid to Sellman Weis. The
4 loan was presented in the Offering Circular as being interest only with a balloon payment of
5 \$7,700,000 due on May 1, 2011, the maturity date.

6 17. The facsimile cover sheet attached to the correspondence sent to the prospective
7 investor on March 22, 2010 represented to the prospective investor that Respondents had available
8 for purchase \$1,251,000 of the \$7.7 million loan and that investments could be purchased in
9 various increments. The prospective investor was informed that they could purchase a \$125,000
10 interest for \$100,000 or a \$60,000 interest for \$50,000.

11 18. On March 25, 2010, it was represented to an additional prospective investor that
12 Respondents had available for purchase \$1,251,000 of the \$7.7 million loan and that the
13 prospective investor could purchase a \$32,500 interest for \$30,000 or a \$66,000 interest for
14 \$60,000.

15 19. All correspondence forwarded to prospective investors refer to the same loan
16 number and identify specifically the mansion in Houston, Texas for which the loan is being sought.

17 20. According to the records of the Arizona Corporation Commission, Chesterfield
18 Mortgage is not licensed to conduct business in Arizona. According to the Arizona Department of
19 Financial Institutions, Sellman Weis and Chesterfield Mortgage are not licensed as mortgage
20 bankers, mortgage brokers or escrow agents in Arizona.

21 21. HOSS failed to inform prospective investors that Sellman Weiss and Chesterfield
22 Mortgage were not licensed as mortgage bankers, mortgage brokers or escrow agents in Arizona.

23 22. On August 26, 2009, the State of Washington entered a Superseding Statement of
24 Charges, Stop Order Suspending and Notice of Intent to Revoke Securities Registration, Summary
25 Order to Cease and Desist, Summary Order Revoking Exemptions, Summary Order Suspending
26 and Notice of Intent to Revoke Securities Broker-Dealer and Securities Salesperson Registration,

1 and Notice of Intent to Impose a Fine ("Statement of Charges") against Hoss Mortgage Investors,
2 Inc. ("HMI") and HOSS.

3 23. The Statement of Charges alleges that HMI and HOSS offered and sold investment
4 loan securities and investments in promissory notes and deeds of trust without disclosing that some
5 of the investments were not recorded or secured by deeds of trust as represented by HMI and
6 HOSS. The Statement of Charges also alleges that HMI and HOSS failed to provide investors with
7 required financial information about their investments, including information about the borrower,
8 the title to real property, and the valuation of the property that should secure the investment. The
9 Statement of Charges further alleges that HMI and HOSS have each engaged in dishonest and
10 unethical practices in the securities business.

11 24. HOSS failed to disclose to prospective investors the action taken by the State of
12 Washington as set forth in the Statement of Charges.

13 **II. CONCLUSIONS OF LAW**

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

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

18 3. HOSS violated A.R.S. § 44-1841 by offering or selling securities that were neither
19 registered nor exempt from registration.

20 4. HOSS violated A.R.S. § 44-1842 by offering or selling securities while neither
21 registered as a dealer or salesman nor exempt from registration.

22 5. HOSS violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to
23 defraud, (b) making untrue statements or misleading omissions of material facts, or (c) engaging in
24 transactions, practices, or courses of business that operate or would operate as a fraud or deceit.
25 Hoss' conduct includes, but is not limited to, the following:
26

1 a. HOSS failed to inform prospective investors that Sellman Weiss and
2 Chesterfield Mortgage were not licensed as mortgage bankers, mortgage brokers or escrow agents
3 in Arizona; and

4 b. HOSS failed to disclose the action taken by the State of Washington
5 involving his sale of investment loan securities and investments in promissory notes and deeds of
6 trust.

7 6. The conduct of HOSS is grounds for a cease and desist order pursuant to A.R.S.
8 § 44-2032.

9 7. The conduct of HOSS is grounds for administrative penalties under A.R.S. § 44-
10 2036.

11 **III. ORDER**

12 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, the Commission
13 finds that the following relief is appropriate, in the public interest, and necessary for the protection
14 of investors:

15 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that HOSS, and any of his agents,
16 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that HOSS shall pay an
18 administrative penalty in the amount of \$ 10,000. Payment is due in full on the date of this Order.
19 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as
20 allowed by law.

21 IT IS FURTHER ORDERED, that acceptance of any partial or late payment by the
22 Commission is not a waiver of default by the Commission.

23 IT IS FURTHER ORDERED, that for purposes of this Order a bankruptcy filing by HOSS
24 shall be an act of default. If HOSS does not comply with this Order, any outstanding balance may
25 be deemed in default and shall be immediately due and payable.

26

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

4 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
5 Order shall be deemed binding against any respondent under this Docket Number other than HOSS.

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

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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5 CHAIRMAN

COMMISSIONER

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7 COMMISSIONER

COMMISSIONER

COMMISSIONER

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

14
15 _____
16 ERNEST G. JOHNSON
17 EXECUTIVE DIRECTOR

18
19 _____
20 DISSENT

21
22 _____
23 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 (wwb)

1 SERVICE LIST FOR:
2 Todd Allan Hoss, Rick Sellman
3 Sellman Weis Mortgage & Investment
4 Corporation

4 Todd A. Hoss
5 644 South Figueroa
6 Old Engine No 28
7 Los Angeles, CA 90017

7 Todd A. Hoss
8 7950 E. Acoma Dr. Ste. 207
9 Scottsdale, Arizona 85260

9 Rick Sellman
10 7950 E. Acoma Dr. Ste. 207
11 Scottsdale, Arizona 85260

11 Sellman Weis Mortgage & Investment Corporation
12 7950 E. Acoma Dr. Ste. 207
13 Scottsdale, Arizona 85260

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