

NEW APPLICATION
ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
COMMISSIONERS

2010 SEP 21 P 3:00

DOCKETED

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

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY
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In the matter of:
BRIAN PATRICK LANGENBACH (d.b.a.
"LAND-CORP OF ARIZONA, INC.") and
SHERI LYNN BARBARA LANGENBACH,
husband and wife,
Respondents.

DOCKET NO. S-20758A-10-0384
NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO
CEASE AND DESIST, ORDER FOR
RESTITUTION, ORDER FOR
ADMINISTRATIVE PENALTIES AND
ORDER FOR OTHER AFFIRMATIVE
ACTION

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING
EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondent BRIAN PATRICK LANGENBACH (d.b.a. "LAND-CORP OF ARIZONA, INC.") has engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801, *et seq.* ("Securities Act").

**I.
JURISDICTION**

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

**II.
RESPONDENTS**

2. At all times relevant, respondent BRIAN PATRICK LANGENBACH (d.b.a. "LAND-CORP OF ARIZONA, INC.") ("LANGENBACH") has been a married man and an Arizona resident. At all times relevant, LANGENBACH offered and sold unregistered securities within or from Arizona

1 in the form of stock, investment contracts, and notes in his individual capacity, and on behalf of
2 LAND-CORP OF ARIZONA, INC. ("LAND-CORP") as its owner and president. LANGENBACH
3 has not been registered as a securities salesman or dealer by the Commission.

4 3. LAND-CORP was formed as an Arizona corporation by LANGENBACH on January
5 5, 2005. LAND-CORP was administratively dissolved as an Arizona corporation by the Corporations
6 Division of the Commission on January 15, 2007, for its failure to file any annual reports. At all times
7 relevant, LAND-CORP maintained a principal place of business in Gilbert, Arizona, and it issued
8 securities within or from Arizona in the form of investment contracts. LAND-CORP has not been
9 registered as a securities dealer by the Commission.

10 4. Respondent SHERI-LYNN BARBARA LANGENBACH was at all relevant times
11 the spouse of LANGENBACH. SHERI-LYNN BARBARA LANGENBACH may be referred to as
12 "SPOUSE." SPOUSE is joined in this action under A.R.S. § 44-2031(C) solely for purposes of
13 determining the liability of the marital community.

14 5. At all times relevant, LANGENBACH was acting for his own benefit and for the
15 benefit or in furtherance of LANGENBACH and SPOUSE's marital community.

16 III.

17 FACTS

18 A. Stock Securities.

19 6. From on or about August 2009 to September 2009, LANGENBACH offered and
20 sold unregistered securities within or from Arizona in the form of stock issued by Petro America
21 Corp. ("PAC").

22 7. PAC was incorporated as a Kansas corporation on April 13, 2007. At all times
23 relevant, PAC's president, secretary and/or chief executive officer has been Isreal Owen Hawkins
24 ("Hawkins"). At all times relevant, PAC maintained business addresses in Kansas City, Kansas
25 and Kansas City, Missouri. PAC stock is not registered to be offered or sold within or from
26 Arizona.

1 8. In 2009, LANGENBACH purchased 10,000,000 shares of PAC stock from a large
2 PAC shareholder and “representative” (the “PAC Insider”) for approximately \$.01 per share.
3 LANGENBACH acquired this PAC stock from the PAC Insider for the sole purpose of reselling it
4 to raise money, in part, to fund his real estate business operations discussed further below.

5 9. According to PAC’s website at www.petroamericacorp.com, it is the “PEOPLE’S
6 COMPANY” with “WORLD SUCCESS UNRIVALED.” The “welcome” page of the PAC
7 website states that PAC’s “goal is to be the premier global crude oil marketer and energy
8 arbitrageur” and that it “engages in shared production agreements for exploration, production, and
9 marketing in the upstream and downstream energy sectors.”

10 10. From on or about August 2009 to October 2009, LANGENBACH sold
11 approximately 2,399,150 shares of PAC stock that he acquired from the PAC Insider for
12 approximately \$.20 per share for a total offering of \$474,030 to approximately 187 different and
13 widely disbursed investors residing throughout Arizona and twenty other states including: (a)
14 California; (b) Colorado; (c) Florida; (d) Hawaii; (e) Illinois; (f) Indiana; (g) Louisiana; (h)
15 Michigan; (i) Minnesota; (j) Montana; (k) Nevada; (l) New Mexico; (m) New York; (n) North
16 Dakota; (o) Ohio; (p) Oregon; (q) Texas; (r) Utah; (s) Virginia; and (t) Washington, and to at least
17 two Canadian residents.

18 11. LANGENBACH caused PAC stock investor money to be deposited and/or wired
19 into Arizona bank accounts owned and controlled by LANGENBACH.

20 **B. Real Estate Investment Securities**

21 12. From on or about April 2006 to February 2007, LANGENBACH individually and
22 on behalf of LAND-CORP offered and sold unregistered securities within or from Arizona in the
23 form of investment contracts and unsecured notes.

24 13. At all times relevant, LANGENBACH represented to investors that he and LAND-
25 CORP were in the business of buying, developing and selling real estate (the “Business”). At all
26 times relevant, LANGENBACH represented to investors that RESPONDENTS would pool

1 investors' funds together and/or combine them to fund and promote LANGENBACH's real estate
2 Business for their mutual profit (the "Real Estate Investment(s)").

3 14. RESPONDENTS sold approximately fourteen Real Estate Investments totaling
4 \$1,260,250 to six investors residing in Arizona, California and New York. LANGENBACH
5 deposited Real Estate Investment funds with an Arizona title and escrow company (the "Arizona
6 Title Company") and into an Arizona bank ("Arizona Bank Account") account owned and/or
7 controlled by LANGENBACH. At all times relevant, LANGENBACH was the sole signor on the
8 Arizona Bank Account, and he had the authority and discretion to control the investor monies
9 deposited with the Arizona Title Company.

10 15. The terms and conditions of the Real Estate Investments varied. For instance,
11 LANGENBACH sold two Real Estate Investments totaling approximately \$670,000 to a New York
12 investor in 2006 after having offered and explained the investment to him in Arizona.
13 LANGENBACH informed the investor that LANGENBACH and LAND-CORP would purchase
14 and develop forty acres of land in or near Tonopah, Arizona, in part, with the investor's money and
15 that the investor would receive back his principal investment plus approximately \$700,000 within
16 approximately six months to a year. To date, this investor has not received back his principal
17 investment and promised profits.

18 16. LANGENBACH also sold two Real Estate Investments to a relative of the first
19 investor in 2006 (the "Second Investor"). The Second Investor wired \$100,000 into
20 LANGENBACH's Arizona Bank Account on or about September 13, 2006, to purchase his first
21 Real Estate Investment. LANGENBACH promised the Second Investor that he would pay the
22 investor interest at the rate of approximately thirty percent per year, and the eventual return of his
23 principal Real Estate Investment on his successful conclusion of the real estate project(s) funded
24 with the investor's money.

25 17. The Second Investor also purchased a second Real Estate Investment by wiring
26 \$91,500 into LANGENBACH's Arizona Bank Account on December 4, 2006. LANGENBACH

1 represented to the Second Investor that he would use this money to fund a "large" real estate deal
2 that he was working on. In return, LANGENBACH issued and made an unsecured "Promissory
3 Note" in favor of the Second Investment dated December 15, 2006, and signed by LANGENBACH
4 in his individual capacity (the "Note"). The Note states that the Second Investor will receive: (a)
5 interest at the rate of thirty percent per year; and (b) a \$100,000 payment no later than the maturity
6 date of the Note on December 15, 2007.

7 18. LANGENBACH and LAND-CORP similarly issued and sold two, one year Real
8 Estate Investments to an Arizona relative of the first investor (the "Third Investor") totaling
9 \$200,000. The Third Investor's money was deposited with the Arizona Title Company, and into
10 the Arizona Bank Account. LANGENBACH documented the Third Investor's Real Estate
11 Investments by issuing and signing in his individual capacity two unsecured "Promissory Note[s]"
12 in favor of the Third Investor, including: (a) one dated May 1, 2006, that promises interest on the
13 principal investment at the rate of fifty percent per annum; and (b) one dated August 17, 2006, that
14 promises interest on the principal investment at the rate of thirty-seven percent per annum.

15 19. LANGENBACH also sold two Real Estate Investments totaling approximately
16 \$56,250 to a California resident (the "Fourth Investor"). These two Real Estate Investments were
17 documented by two unsecured "Promissory Note[s]" issued and signed by LANGENBACH in his
18 individual capacity dated March 31, 2006 and January 18, 2007. Both of these notes promise the
19 Fourth Investor interest on the principal at the rate of fifty percent per annum. The Fourth Investor
20 met LANGENBACH in Mesa, Arizona to discuss these Real Estate Investments. The Fourth
21 Investor agreed to extend one of his Real Estate Investments for another year due to
22 LANGENBACH's inability to repay the Fourth Investor at the conclusion of the original
23 investment.

24 **General Real Estate Investment Allegations**

25 20. LANGENBACH represented to the Real Estate Investment investors that he, LAND-
26 CORP and/or third-parties retained and/or controlled by them would manage all of the essential

1 aspects of the investments including, without limitation, the selection, evaluation, purchase,
2 development and/or resale of the real estate purchased with Real Estate Investment investor funds.

3 21. The Real Estate Investment investors' investment success was also dependent on,
4 and intertwined with the similar investment success of LANGENBACH and the continued viability
5 of LANGENBACH's real estate Business.

6 22. LANGENBACH issued partial repayment checks to the Real Estate Investment
7 investors drawn on his Arizona Bank Account.

8 **IV.**

9 **VIOLATION OF A.R.S. § 44-1841**

10 **(Offer or Sale of Unregistered Securities)**

11 23. From on or about August 2009 to October 2009, LANGENBACH offered or sold
12 securities in the form of stock issued by PAC, within or from Arizona.

13 24. From on or about April 2006 to February 2007, LANGENBACH individually and on
14 behalf of LAND-CORP offered or sold securities in the form of investment contracts and notes, within
15 or from Arizona.

16 25. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
17 Securities Act.

18 26. This conduct violates A.R.S. § 44-1841.

19 **V.**

20 **VIOLATION OF A.R.S. § 44-1842**

21 **(Transactions by Unregistered Dealers or Salesmen)**

22 27. RESPONDENTS offered or sold securities within or from Arizona while not registered
23 as dealers or salesmen pursuant to Article 9 of the Securities Act.

24 28. This conduct violates A.R.S. § 44-1842.

1 VI.

2 **REQUESTED RELIEF**

3 The Division requests that the Commission grant the following relief:

- 4 1. Order RESPONDENTS to permanently cease and desist from violating the Securities
5 Act, pursuant to A.R.S. § 44-2032;
- 6 2. Order RESPONDENTS to take affirmative action to correct the conditions resulting
7 from RESPONDENTS' acts, practices, or transactions, including a requirement to make restitution
8 pursuant to A.R.S. § 44-2032;
- 9 3. Order RESPONDENTS to pay the state of Arizona administrative penalties of up to
10 five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 11 4. Order that the marital community of LANGENBACH and his SPOUSE be subject to
12 any order of restitution, rescission, administrative penalties, or other appropriate affirmative action
13 pursuant to A.R.S. § 25-215; and
- 14 5. Order any other relief that the Commission deems appropriate.

15 VII.

16 **HEARING OPPORTUNITY**

17 Each RESPONDENT including SPOUSE may request a hearing pursuant to A.R.S. § 44-1972
18 and A.A.C. R14-4-306. **If a RESPONDENT or SPOUSE requests a hearing, the requesting**
19 **respondent must also answer this Notice.** A request for hearing must be in writing and received by
20 the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The
21 requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation
22 Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained
23 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
24 <http://www.azcc.gov/divisions/hearings/docket.asp>.

25 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
26 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the

1 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
2 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
3 Opportunity for Hearing.

4 Persons with a disability may request a reasonable accommodation such as a sign language
5 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
6 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.

7 Requests should be made as early as possible to allow time to arrange the accommodation.

8 **VIII.**

9 **ANSWER REQUIREMENT**

10 Pursuant to A.A.C. R14-4-305, if a RESPONDENT or SPOUSE requests a hearing, the
11 requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to
12 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007,
13 within 30 calendar days after the date of service of this Notice. Filing instructions may be obtained
14 from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
15 <http://www.azcc.gov/divisions/hearings/docket.asp>.

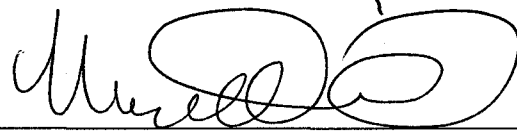
16 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
17 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
18 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
19 addressed to Mike Dailey.

20 The Answer shall contain an admission or denial of each allegation in this Notice and the
21 original signature of the answering respondent or respondent's attorney. A statement of a lack of
22 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
23 denied shall be considered admitted.

24 When the answering respondent intends in good faith to deny only a part or a qualification
25 of an allegation, the respondent shall specify that part or qualification of the allegation and shall
26 admit the remainder. Respondent waives any affirmative defense not raised in the Answer.

1 The officer presiding over the hearing may grant relief from the requirement to file an
2 Answer for good cause shown.

3 Dated this 21st day of September, 2010.

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6 Mark Dinell
Assistant Director of Securities

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