

**ORIGINAL**

**NEW APPLICATION**



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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**RECEIVED**

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AZ CORP COMMISSION  
DOCKET CONTROL

COMMISSIONERS

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

In the matter of:

JERE PARKHURST and MICHELLE  
PARKHURST, husband and wife, doing  
business as C-Street Financial Group and C-  
Street Development, L.L.C.;

C-STREET HOLDINGS, L.L.C., a dissolved  
Arizona limited liability company; and

PHOENIX FINANCIAL HOLDINGS,  
L.L.C., a terminated Arizona limited liability  
company;

Respondents.

DOCKET NO. S-20761A-10-0409

**NOTICE OF OPPORTUNITY FOR HEARING  
REGARDING PROPOSED ORDER TO CEASE  
AND DESIST, ORDER FOR RESTITUTION,  
ORDER FOR ADMINISTRATIVE PENALTIES  
AND 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 Respondents JERE PARKHURST, doing business as C-Street Financial Group and C-Street Development, L.L.C., C-STREET HOLDINGS, L.L.C., a dissolved Arizona limited liability company, and PHOENIX FINANCIAL HOLDINGS, L.L.C., a terminated Arizona limited liability company, have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

Arizona Corporation Commission  
**DOCKETED**

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I.

**JURISDICTION**

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

5 II.

6 **RESPONDENTS**

7 2. JERE PARKHURST ("J. PARKHURST") is a married person who at all relevant  
8 times resided in Arizona.

9 3. At all relevant times, J. PARKHURST transacted business as C-Street Financial Group  
10 and C-Street Development, L.L.C. C-Street Financial Group and C-Street Development, L.L.C. are  
11 entities of unknown origin neither of which is authorized to transact business in Arizona. J.  
12 PARKHURST gave a business card to at least one investor that identified J. PARKHURST as the  
13 president of C-Street Financial Group.

14 4. C-STREET HOLDINGS, L.L.C. ("C-STREET") was an Arizona limited liability  
15 company organized on November 19, 2004. At all relevant times, C-STREET had its principal place  
16 of business in Maricopa County, Arizona.

17 5. C-STREET was a member-managed limited liability company. J. PARKHURST was  
18 a member of C-STREET beginning November 19, 2004. At all times relevant, J. PARKHURST acted  
19 on behalf of C-STREET.

20 6. On December 22, 2009, C-STREET was administratively dissolved by the  
21 Commission for nonpayment of fees.

22 7. PHOENIX FINANCIAL HOLDINGS, L.L.C. ("PHOENIX") was an Arizona limited  
23 liability company organized on September 12, 2002. At all relevant times, PHOENIX had its principal  
24 place of business in Maricopa County, Arizona.



1           16.     At least one investor received an email with "Investment 20% interest" in the subject  
2 line of the email. This same investor received another email that stated "Another investmetn [sic]  
3 deal" in the subject line of the email.

4           17.     J. PARKHURST told at least one investor that the Respondents wanted to raise  
5 funds by issuing notes secured by second deeds of trust. According to J. PARKHURST, the funds  
6 raised would be used to rehabilitate the residential properties to be purchased by Respondents and,  
7 after the rehabilitation was completed, Respondents would sell the residential properties.

8           18.     J. PARKHURST told at least one investor that J. PARKHURST and C-STREET  
9 would identify, purchase, and rehabilitate the real estate. Further, J. PARKHURST told at least one  
10 investor that Respondents would coordinate all aspects of the rehabilitation and resale of the real  
11 estate, including making a determination of what renovations would take place, choosing and  
12 scheduling the contractors, accounting for the expenditures, and marketing the real estate for resale.

13           19.     Additionally, at least one investor received an email with the purchase price of the  
14 identified property, the anticipated resale value of that property, and the amount of funding  
15 Respondents were seeking from an investor.

16           20.     For example, at least one investor received an email identifying a property that C-  
17 STREET would purchase for \$355,000. The email indicated \$93,000 was sought to pay for  
18 rehabilitation costs, and then the property was projected to sell for \$459,000 after rehabilitation was  
19 completed. The investor would receive a note secured by a second deed of trust on that residential  
20 property in exchange for the funds.

21           21.     At least one investor was told that all of the investor's funds would be used to  
22 rehabilitate the residential property on which the investor held the second deed of trust. However,  
23 Respondents used a portion of this investor's funds to purchase this same property.

24           22.     In exchange for investors' funds, C-STREET and PHOENIX issued notes that  
25 promised a twenty (20) percent return. The notes promised to repay a note by making monthly  
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1 interest payments to the investor and then paying the investor the investor's principal at the end of  
2 one year.

3 23. Each note was secured by a second deed of trust on the residential property  
4 purchased by the Respondents. There was one second deed of trust on each residential property  
5 purchased.

6 24. The investors invested with the Respondents to make a profit through the investment  
7 and did not intend to live in the properties.

8 25. J. PARKHURST signed all but one of the notes on behalf of C-STREET. J.  
9 PARKHURST signed one note on behalf of PHOENIX.

10 26. All but one of the properties were titled in C-STREET's name. The other property  
11 was titled in the name of PHOENIX.

12 27. C-STREET issued checks for monthly interest payments to at least two investors,  
13 however, the two investors' banks returned those checks to the investors with an indication that  
14 there were insufficient funds in the C-STREET account to cover the checks.

15 28. Despite the unpaid monthly interest payments, Respondents continued to offer and  
16 sell notes secured by second deeds of trust to each of two additional investors. Respondents  
17 promised to pay monthly interest payments on each investment. Respondents failed to tell the two  
18 investors that Respondents lacked the financial resources to make monthly interest payments.

19 29. In or around February 26, 2007, C-STREET purchased a residential property with  
20 borrowed funds and executed a first deed of trust. As part of this purchase, C-STREET issued a  
21 note secured by a second deed of trust in exchange for an investor's funds. On or about May 16,  
22 2007, the holder of the first deed of trust affirmed that Respondents had not made the first payment  
23 that was due March 28, 2007. As a result, the holder elected to sell the property and filed a notice  
24 for a trustee's sale on or about May 17, 2007.

25 30. During March and April 2007, Respondents offered and sold notes secured by  
26 second deeds of trust to each of three investors. Respondents failed to tell the three investors that

1 the Respondents did not have the financial resources to make the monthly principal payments on  
2 the first mortgage for the property purchased on or about February 28, 2007.

3 31. After at least two investors purchased notes secured by second deeds of trust, the  
4 investors visited the properties. The investors did not see any signs of rehabilitation being  
5 performed to the properties.

6 32. At least one investor received accounting records that showed the amount and  
7 description of the rehabilitation expenses alleged to have been incurred to rehabilitate the  
8 properties. The accounting records listed C-Street Development, L.L.C., at the top of each page.  
9 The accounting records showed a total of \$395.00 was spent on renovations for one property and  
10 \$414.97 was spent on renovations to another property. However, a further examination of the  
11 accounting detail showed the funds were actually used to pay utility costs.

12 33. Respondents failed to tell at least one investor, prior to investing, that funds from an  
13 earlier investor were used to fund the purchase of a property. Additionally, Respondents failed to  
14 tell at least one investor that Respondents did not rehabilitate the properties as promised to earlier  
15 investors.

16 34. Respondents did not return the investors' funds even though the promised  
17 rehabilitations did not occur. However, with at least one investor, the Respondents executed a  
18 settlement agreement with an investor that included an unsecured promissory note for the amount  
19 invested with the Respondents.

20 35. At least three of the properties secured by second deeds of trust went into  
21 foreclosure. The investors did not receive a return of any of their funds.

22 36. From as early as 2006 through at least 2007, Respondents raised at least \$865,300  
23 from at least seven (7) investors, four (4) of whom are Arizona residents.

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IV.

**VIOLATION OF A.R.S. § 44-1991**

**(Fraud in Connection with the Offer or Sale of Securities)**

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4       37.     In connection with the offer or sale of securities within or from Arizona, Respondents  
5 directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements  
6 of material fact or omitting to state material facts that are necessary in order to make the statements  
7 made not misleading in light of the circumstances under which they are made; or (iii) engaged in  
8 transactions, practices, or courses of business that operate or would operate as a fraud or deceit upon  
9 offerees and investors. Respondents' conduct includes, but is not limited to, the following:

10       a.     J. PARKHURST and C-STREET, through J. PARKHURST, misrepresented to at  
11 least one investor that all of the investor's funds would be used for property rehabilitation when  
12 some of the funds were used to purchase the same residential property;

13       b.     J. PARKHURST misrepresented to at least two investors that each of the investor's  
14 funds would be used to rehabilitate a residential property when the promised renovations did not  
15 occur;

16       c.     J. PARKHURST and C-STREET, through J. PARKHURST, misrepresented to at  
17 least two investors C-STREET's ability to make monthly interest payments when C-STREET'S  
18 monthly interest payment to a prior investor was returned unpaid; and

19       d.     Respondents failed to tell at least three investors that the Respondents did not have  
20 the financial resources to maintain ownership of the residential properties purchased by the  
21 Respondents when the properties went into foreclosure. Additionally, C-STREET failed to make  
22 the first payment due on a first mortgage. As a result, that property was noticed for a trustee's sale  
23 in May 2007 after a February 28, 2007 purchase.

24       38.     This conduct violates A.R.S. § 44-1991.  
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V.

**REQUESTED RELIEF**

The Division requests that the Commission grant the following relief:

1. Order Respondents to permanently cease and desist from violating the Securities Act pursuant to A.R.S. § 44-2032;
2. Order Respondents to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032 and A.A.C. § R14-4-308;
3. Order Respondents to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order that the marital community of Respondent J. PARKHURST and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and
5. Order any other relief that the Commission deems appropriate.

VI.

**HEARING OPPORTUNITY**

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

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 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](mailto:sabernal@azcc.gov).  
7 Requests should be made as early as possible to allow time to arrange the accommodation.

## 8 VII.

### 9 ANSWER REQUIREMENT

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

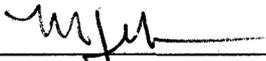
16 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant  
17 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a  
18 copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix, Arizona, 85007,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

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 7 day of October, 2010.

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7 Matthew Neubert  
8 Director of Securities  
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