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COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



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ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

Arizona Corporation Commission

DOCKETED

FEB 2 2011

FROM: Matthew J. Neubert *MJ*
Director of Securities

DOCKETED BY *[Signature]*

DATE: January 27, 2011

RE: Proposed Order to Cease and Desist, Order for Restitution, Order of Revocation, Order for Administrative Penalties and Consent to Same by Craig Cottrell (CRD#4552833) and Andrea Cottrell (S-20755A-10-0342)

CC: Ernest G. Johnson, Executive Director

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AZ CORP COMMISSION
DOCKET CONTROL

Attached is a proposed Order to Cease and Desist, Order for Restitution, Order for Revocation, Order for Administrative Penalties and Consent to Same by Craig and Andrea Cottrell. The Order requires Craig Cottrell to cease and desist his activity, pay restitution in the amount of \$5,577,226.59 and pay an administrative penalty in the amount of \$50,000. In addition, Craig Cottrell's registration as a securities salesman will be revoked. Andrea Cottrell is joined in this action under A.R.S §44-2021(C) solely for the purposes of determining the liability of the marital community.

Craig Cottrell was represented to be the president of Five Star Capital Markets LLC. Mr. Cottrell solicited the investors to provide investment funds to Charlevoix Homes LLC and Michael Roberts. Investors were to receive eighteen percent interest annually on their investments. The investments were to be secured by a second Deed of Trust or a lien on lots. Neither second Deed of Trust nor any liens were ever recorded for the benefit of the investors.

The Securities Division believes this Consent is in the best interest of the public.

Originator: Wendy Coy

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

In the matter of)
FIVE STAR CAPITAL MARKETS, LLC, a)
Nevada limited liability company,)
JAMES PICCOLO and MARY)
ELIZABETH PICCOLO, husband and wife,)
CRAIG COTTRELL, CRD# 4552833, and)
ANDREA COTTRELL, husband and wife,)
CHARLEVOIX HOMES, LLC, an Arizona)
limited liability company,)
and)
MICHAEL ROBERTS, an unmarried man,)
Respondents.)

DOCKET NO. S-20755A-10-0342

DECISION NO. _____

ORDER TO CEASE AND DESIST, ORDER FOR RESTITUTION, ORDER OF REVOCATION, ORDER FOR ADMINISTRATIVE PENALTIES AND CONSENT TO SAME BY: RESPONDENTS CRAIG COTTRELL AND ANDREA COTTRELL

CRAIG COTTRELL and ANDREA COTTRELL elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And Desist, Order For Restitution, Order Of Revocation, Order For Administrative Penalties And Consent To Same ("Order"). CRAIG COTTRELL and ANDREA COTTRELL admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

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...

I.**FINDINGS OF FACT**

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3 1. CRAIG COTTRELL ("COTTRELL"), CRD# 4552833, is a resident of Tempe,
4 Arizona. At all relevant times, COTTRELL represented that he was the president of Five Star Capital
5 Markets, LLC ("FIVE STAR").

6 2. At all relevant times, COTTRELL and ANDREA COTTRELL (may be referred to as
7 "Respondent Spouse") were married. Respondent Spouse is joined in this action under A.R.S. §44-
8 2031(C) solely for purposes of determining the liability of the marital community.

9 3. At all relevant times, COTTRELL was acting for his own benefit and for the benefit of
10 and in furtherance of the marital community.

11 4. Between October 2005 and November 2006, Nouveau Riche Corporation
12 ("Nouveau Riche") operated as "an educational company that educates people on real estate --
13 residential real estate investing." Nouveau Riche conducted a series of classes on "dealing with
14 residential real estate." Nouveau Riche sold home study programs and held seminars known as
15 "Intensives" throughout the United States. Intensives were usually two-day seminars held
16 throughout the United States to promote Nouveau Riche educational programs. COTTRELL, an
17 instructor at Nouveau Riche, conducted some of the Intensives.

18 5. In the fall of 2005, as a benefit to the Nouveau Riche students, FIVE STAR, through
19 COTTRELL and others, offered Nouveau Riche students who attended some of the Intensives, an
20 investment opportunity to purchase notes in Charlevoix Homes, LLC ("CHARLEVOIX") real
21 estate developments. Those Nouveau Riche students interested in making an investment received a
22 document titled "Loan Agreement" ("Charlevoix Notes"). The Charlevoix Notes set forth the
23 terms of the investment including the expected return, the collateral and the maturity date.

24 6. On October 1, 2005, after an Intensive, COTTRELL, on behalf of FIVE STAR, sent
25 the attendees an email offering the attendees the opportunity to invest in the Charlevoix Notes
26 before other Nouveau Riche students.

1 7. The October 1, 2005, email also included a link to a power point presentation that
2 further explained the Charlevoix Notes.

3 8. Furthermore, the October 1, 2005 email requested that people interested in making
4 the investment in the Charlevoix Notes should “make [their] payments out to ‘Charlevoix Homes’
5 and mail or deliver (remember this is first come/first serve) them to [COTTRELL] . . .” at the Five
6 Star Scottsdale, Arizona, address. In the October 1, 2005 email, COTTRELL represented that once
7 the payment was received, the investor would receive an agreement from Charlevoix.

8 9. On October 11, 2005, COTTRELL sent another email to prospective investors and
9 provided another internet link for a “presentation that explains this exciting opportunity in detail
10 including financials.” The email also provided a website link to obtain a copy of a Charlevoix
11 Notes.

12 10. Once the Nouveau Riche students sent their funds to FIVE STAR and COTTRELL,
13 COTTRELL would notify CHARLEVOIX. CHARLEVOIX would then mail the Charlevoix Notes
14 to investors. The term of the Charlevoix Notes included eighteen percent (18%) per annum. The
15 Charlevoix Notes were signed by MICHAEL ROBERTS on behalf of CHARLEVOIX.

16 11. COTTRELL believed and told the investors that the Charlevoix Notes were to be
17 secured either by a “2nd Deed of Trust held on behalf of all investors by Five Star Capital Markets”
18 or by a “lien on lots.” No second deed of trust or lien for the benefit of the investors, either
19 individually or for the benefit of FIVE STAR, was ever recorded.

20 12. The Charlevoix Notes offering documents provided to investors by COTTRELL
21 stated that the investment was guaranteed by a “Charlevoix Home Corporate guarantee.” However,
22 there was no Charlevoix guarantee.

23 13. From October 2005 through November 2006, Charlevoix Notes were sold to 105
24 investors who invested \$5,577,226.59. In October 2007, COTTRELL and Respondent Spouse
25 purchased a Charlevoix Note from another investor for \$50,000.

26

1 14. FIVE STAR received over \$200,000 in referral fees/sales commissions from
2 CHARLEVOIX for sales made of the Charlevoix Notes to Nouveau Riche students.

3 15. From October 2005 through May 11, 2006, COTTRELL was not registered as a
4 securities salesman with the Commission. COTTRELL was a securities salesman with Source
5 Capital Group between May 12, 2006 and November 2006, during which time COTTRELL
6 offered and sold the Charlevoix Notes. While registered as a securities salesman with Source
7 Capital Group, COTTRELL effected securities transactions, the Charlevoix Notes, which were not
8 recorded on the books and records of Source Capital Group at the time of the sales. From March 17,
9 2009 through May 27, 2010, COTTRELL was registered as a securities salesman with Longview
10 Financial Group, Inc.

11 16. The Charlevoix Notes were not registered with the Commission.

12 17. COTTRELL misrepresented to offerees and investors that the investments in
13 Charlevoix Notes were guaranteed by a corporate guarantee in Charlevoix when, in fact, there was
14 no corporate guarantee.

15 18. COTTRELL misrepresented to offerees and investors that the Charlevoix Notes
16 were secured by a second deed of trust held on behalf of the investors by FIVE STAR or by a lien
17 recorded on the lots for the benefit of investors. There were no second deeds of trust filed for the
18 benefit of FIVE STAR investors. Nor, were any liens filed on the lots to benefit the investors.

19 19. COTTRELL's conduct, from May 12, 2006 through November 2006, is grounds to
20 revoke his registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962.

21 Specifically, COTTRELL has:

- 22 a) violated the Arizona Securities Act; and
23 b) engaged in dishonest or unethical practices in the securities industry
24 including effecting securities transactions that were not recorded on the
25 records of the dealer with whom COTTRELL was registered at the time of
26 the transaction.

II.**CONCLUSIONS OF LAW**

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

7 3. COTTRELL violated A.R.S. § 44-1841 by offering or selling securities that were
8 neither registered nor exempt from registration.

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

11 5. COTTRELL violated A.R.S. § 44-1991 by (a) employing a device, scheme, or
12 artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c)
13 engaging in transactions, practices, or courses of business that operate or would operate as a fraud
14 or deceit. The conduct of Respondent includes, but is not limited to, the following:

15 a. COTTRELL misrepresented to offerees and investors that the investments in the
16 Charlevoix Notes were guaranteed by a corporate guarantee in CHARLEVOIX
17 when, in fact, there was no corporate guarantee.

18 b. COTTRELL misrepresented to offerees and investors that the Charlevoix Notes
19 were secured by a second deed of trust held on behalf of the investors by FIVE
20 STAR or a lien recorded on the lots for the benefit of investors. There was no
21 second deed of trust filed for the benefit of FIVE STAR investors or any liens
22 recorded on the lots to benefit the investors.

23 6. COTTRELL's conduct subjects him to an order of revocation pursuant to A.R.S.
24 § 44-1962(A)(2), for violating A.R.S. §§ 44-1841, 44-1842 and 44-1991 and pursuant to A.R.S.
25 § 44-1962(A)(10), for engaging in conduct that is prohibited pursuant to A.A.C. Rule R14-4-

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1 130(A)(17). More specifically, COTTRELL effected securities transactions that were not recorded
2 on the records of the dealer that he was registered with at the time of the transactions.

3 7. COTTRELL's conduct is grounds for a cease and desist order pursuant to A.R.S.
4 § 44-2032 and A.R.S. § 44-1962.

5 8. COTTRELL's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
6 2032 and A.R.S. § 44-1962.

7 9. COTTRELL's conduct is grounds for administrative penalties under A.R.S. § 44-
8 2036 and A.R.S. § 44-1962.

9 10. COTTRELL acted for the benefit of his marital community and, pursuant to A.R.S.
10 §§ 25-214 and 25-215, this order of restitution and administrative penalties is a debt of the
11 community.

12 III.

13 ORDER

14 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and COTTRELL's
15 and Respondent Spouse's consent to the entry of this Order, attached and incorporated by
16 reference, the Commission finds that the following relief is appropriate, in the public interest, and
17 necessary for the protection of investors:

18 IT IS ORDERED, pursuant to A.R.S. § 44-2032 and A.R.S. § 44-1962, that COTTRELL
19 and any of his agents, employees, successors and assigns, permanently cease and desist from
20 violating the Securities Act.

21 IT IS FURTHER ORDERED that COTTRELL and Respondent Spouse comply with the
22 attached Consent to Entry of Order.

23 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032 and A.R.S. § 44-1962, that
24 COTTRELL individually, and the marital community of COTTRELL and Respondent Spouse,
25 jointly and severally, shall, jointly and severally with any respondent against whom an order is
26 entered under Docket No. S-20755A-10-0342, pay restitution to the Commission in the principal

1 amount of \$5,577,226.59. Payment is due in full on the date of this Order. Payment shall be made
2 to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.
3 Any principal amount outstanding shall accrue interest at the rate of 10 percent per annum from the
4 date of the Order until paid in full.

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

13 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036 and A.R.S. § 44-1962, that
14 COTTRELL and the marital community of COTTRELL and Respondent Spouse, jointly and
15 severally, shall pay an administrative penalty in the amount of \$50,000. If the principal amount of
16 restitution is paid in full by May 17, 2011, the administrative penalty will be reduced to zero. If the
17 principal amount of restitution is not paid in full by May 17, 2011, payment of the penalty amount
18 is then immediately due in full. Payment shall be made to the "State of Arizona." Any amount
19 outstanding as of May 18, 2011, shall accrue interest as allowed by law, beginning from the date of
20 the Order until paid in full.

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

24 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-1962, that COTTRELL's securities
25 salesman registration is revoked.

26

1 For purposes of this Order, a bankruptcy filing by COTTRELL and Respondent Spouse
2 shall be an act of default. If COTTRELL and Respondent Spouse do not comply with this Order,
3 any outstanding balance may be deemed in default and shall be immediately due and payable.

4 IT IS FURTHER ORDERED that if COTTRELL and Respondent Spouse fail to comply
5 with this order, the Commission may bring further legal proceedings against COTTRELL and
6 Respondent Spouse, including application to the superior court for an order of contempt.

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1 IT IS FURTHER ORDERED that no finding of fact or conclusion of law contained in this
2 Order shall be deemed binding against any Respondent under this Docket Number who has not
3 consented to the entry of this Order.

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

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

6
7 CHAIRMAN

COMMISSIONER

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10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
12 Executive Director of the Arizona Corporation Commission,
13 have hereunto set my hand and caused the official seal of the
14 Commission to be affixed at the Capitol, in the City of
15 Phoenix, this _____ day of _____, 2011.

16 _____
17 ERNEST G. JOHNSON
18 EXECUTIVE DIRECTOR

19 _____
20 DISSENT

21 _____
22 DISSENT

23 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
24 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.
25 (wlc)
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CONSENT TO ENTRY OF ORDER

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2 1. CRAIG COTTRELL and ANDREA COTTRELL admit the jurisdiction of the
3 Commission over the subject matter of this proceeding. CRAIG COTTRELL and ANDREA
4 COTTRELL acknowledge that they have been fully advised of their right to a hearing to present
5 evidence and call witnesses and they knowingly and voluntarily waive any and all rights to a
6 hearing before the Commission and all other rights otherwise available under Article 11 of the
7 Securities Act and Title 14 of the Arizona Administrative Code. CRAIG COTTRELL and
8 ANDREA COTTRELL acknowledge that this Order To Cease And Desist, Order For Restitution,
9 Order Of Revocation, Order For Administrative Penalties And Consent To Same ("Order")
10 constitutes a valid final order of the Commission.

11 2. CRAIG COTTRELL and ANDREA COTTRELL knowingly and voluntarily waive
12 any right under Article 12 of the Securities Act to judicial review by any court by way of suit,
13 appeal, or extraordinary relief resulting from the entry of this Order.

14 3. CRAIG COTTRELL and ANDREA COTTRELL acknowledge and agree that this
15 Order is entered into freely and voluntarily and that no promise was made or coercion used to
16 induce such entry.

17 4. CRAIG COTTRELL and ANDREA COTTRELL have been represented by an
18 attorney in this matter, they have reviewed this order with their attorney, Jeff Matura, Esq., Graif
19 Barrett & Matura, P.C., and understand all terms it contains. CRAIG COTTRELL and ANDREA
20 COTTRELL acknowledge that their attorney has apprised them of their rights regarding any
21 conflicts of interest arising from dual representation. CRAIG COTTRELL and ANDREA
22 COTTRELL acknowledge that they have each given their informed consent to such representation.

23 5. CRAIG COTTRELL and ANDREA COTTRELL neither admit nor deny the
24 Findings of Fact and Conclusions of Law contained in this Order. CRAIG COTTRELL and
25 ANDREA COTTRELL agree that they shall not contest the validity of the Findings of Fact and
26 Conclusions of Law contained in this Order in any present or future proceeding in which the

1 Commission or any other state agency is a party concerning the denial or issuance of any license or
2 registration required by the state to engage in the practice of any business or profession.

3 6. By consenting to the entry of this Order, CRAIG COTTRELL and ANDREA
4 COTTRELL agree not to take any action or to make, or permit to be made, any public statement
5 denying, directly or indirectly, any Finding of Fact or Conclusion of Law in this Order or creating
6 the impression that this Order is without factual basis. CRAIG COTTRELL and ANDREA
7 COTTRELL will undertake steps necessary to assure that all of their agents and employees
8 understand and comply with this agreement.

9 7. While this Order settles this administrative matter between CRAIG COTTRELL and
10 ANDREA COTTRELL and the Commission, they understand that this Order does not preclude the
11 Commission from instituting other administrative or civil proceedings based on violations that are
12 not addressed by this Order.

13 8. CRAIG COTTRELL and ANDREA COTTRELL understand that this Order does
14 not preclude the Commission from referring this matter to any governmental agency for
15 administrative, civil, or criminal proceedings that may be related to the matters addressed by this
16 Order.

17 9. CRAIG COTTRELL and ANDREA COTTRELL understand that this Order does
18 not preclude any other agency or officer of the state of Arizona or its subdivisions from instituting
19 administrative, civil, or criminal proceedings that may be related to matters addressed by this
20 Order.

21 10. CRAIG COTTRELL agrees that he will not apply to the state of Arizona for
22 registration as a securities dealer or a salesman or for licensure as investment adviser or investment
23 adviser representative until such time as all restitution and penalties under this Order are paid in
24 full.

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1 11. CRAIG COTTRELL agrees that he will not exercise any control over any entity that
2 offers or sells securities or provides investment advisory services within or from Arizona until such
3 time as all restitution and penalties under this Order are paid in full.

4 12. CRAIG COTTRELL agrees that he will continue to cooperate with the Securities
5 Division including, but not limited to, providing complete and accurate testimony at any hearing in
6 this matter and cooperating with the state of Arizona in any related investigation or any other
7 matters arising from the activities described in this Order.

8 13. CRAIG COTTRELL and ANDREA COTTRELL acknowledge that any restitution
9 or penalties imposed by this Order are COTTRELL's obligations as well as the marital community.

10 14. CRAIG COTTRELL and ANDREA COTTRELL consent to the entry of this Order
11 and agree to be fully bound by its terms and conditions.

12 15. CRAIG COTTRELL and ANDREA COTTRELL acknowledge and understand that
13 if they fail to comply with the provisions of the order and this consent, the Commission may bring
14 further legal proceedings against them, including application to the superior court for an order of
15 contempt.

16 16. CRAIG COTTRELL and ANDREA COTTRELL understand that default shall
17 render them liable to the Commission for its costs of collection and interest at the maximum legal
18 rate.

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1 SERVICE LIST FOR: Five Star Capital Markets, LLC, James Piccolo, Mary Elizabeth
2 Piccolo, Craig Cottrell, Andrea Cottrell, Charlevoix Homes, LLC and
3 Michael Roberts

4 NAME & ADDRESS

5 Jeffrey Matura
6 Graif Barrett & Matura, PC
7 1850 N. Central Ave., Ste. 500
8 Phoenix, Arizona 85004
9 Attorneys for Fives Start Capital Markets, LLC,
10 James Piccolo and Mary Elizabeth Piccolo
11 Craig Cottrell and Andrea Cottrell

12 Michael Roberts
13 8711 E. Pinnacle Peak Rd., #213
14 Scottsdale, Arizona 85525

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