OPEN MEETING ITEM

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ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
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AUG 22 2011

DOCKETED BY

DATE: AUGUST 22, 2011

DOCKET NO.: S-20761A-10-0409

TO ALL PARTIES:

Enclosed please find the recommendation of Administrative Law Judge Marc E. Stern. The recommendation has been filed in the form of an Opinion and Order on:

JERE PARKHURST AND MICHELLE PARKHURST DBA C-STREET FINANCIAL GROUP AND C-STREET DEVELOPMENT, L.L.C.; C-STREET HOLDINGS, L.L.C.; AND PHOENIX FINANCIAL HOLDINGS, L.L.C.
(NOTICE OF OPPORTUNITY)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00** p.m. on or before:

AUGUST 31, 2011

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

SEPTEMBER 8, 2011

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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, PHOENIX FINANCIAL HOLDINGS, L.L.C., a terminated Arizona limited liability company Respondents.	DOCKET NO. S-20761A-10-0409 DECISION NO. _____ **OPINION AND ORDER**

DATES OF PRE-HEARING CONFERENCES:	December 2, 2010 and January 6, 2011
DATE OF HEARING:	April 13, 2011
PLACE OF HEARING:	Phoenix, Arizona
ADMINISTRATIVE LAW JUDGE:	Marc E. Stern
APPEARANCES:	Ms. Aikaterine Vervilos, Staff Attorney, on behalf of the Securities Division of the Arizona Corporation Commission.

BY THE COMMISSION:

On October 1, 2010, the Securities Division ("Division") of the Arizona Corporation ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Jere Parkhurst and Michelle Parkhurst, husband and wife, Jere Parkhurst dba C-Street Financial Group ("CFG") and C-Street Development, L.L.C. ("CSD"), C-Street Holdings, L.L.C. ("CSH") and Phoenix Financial Holdings, L.L.C. ("PFH") (collectively "Respondents"), in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the fraudulent offer and sale of an

investment in the form of notes.[1]

The Respondents were duly served with a copy of the Notice.

On October 15, 2010, a letter was filed by Respondent Jere Parkhurst requesting a hearing for himself, CFG, CSD, CSH, and PFH, and indicating that he was attempting to obtain counsel. Michelle Parkhurst was not mentioned and had not signed the letter.

On October 20, 2010, by Procedural Order, a pre-hearing conference was scheduled to review the status of the proceeding on December 2, 2010. Respondents were advised they could retain counsel or they could represent themselves pursuant to the Commission's Rules of Practice and Procedure A.A.C. R14-3-101 *et seq.* and the Rules of the Arizona Supreme Court.

On November 29, 2010, Mr. Parkhurst filed a motion to continue the pre-hearing conference until a later date in January, 2011. Mr. Parkhurst indicated he was still in the process of retaining counsel.

On November 30, 2010, the Division filed a response to Mr. Parkhurst's motion and stated that almost seven weeks had passed and a further delay of the proceeding was unreasonable. Subsequently, by Procedural Order, Mr. Parkhurst's motion to continue the proceeding was denied.

On December 2, 2010, the pre-hearing conference was held as previously ordered. The Division appeared with counsel. There were no appearances by the Respondents or anyone on their behalf. Counsel for the Division requested that a hearing be scheduled with enough time allowed to ensure Respondent, Michelle Parkhurst, could be properly served since the Division had been unable to serve her.

On December 3, 2010, Respondent, Michelle Parkhurst, filed a letter requesting a hearing.

On December 7, 2010, by Procedural Order, another pre-hearing conference was scheduled on January 6, 2011, to allow Mrs. Parkhurst to enter an appearance in the proceeding. The Procedural Order also scheduled a hearing to commence on April 13, 2011.

On January 6, 2011, at the pre-hearing conference, the Division appeared with counsel. No appearances were entered by any of the individual Respondents or an attorney on their behalf. Due to

[1] The Division's Notice did not allege any violations of A.R.S. §§ 44-1841 and 44-1842 which address the registration requirements of the act since the purported investments involved notes allegedly secured by deeds of trust which are exempt transactions pursuant to A.R.S. § 44-1843(A)(10).

the uncertainty as to whether Mrs. Parkhurst had actually been served, the Division proceeded to make service by publication pursuant to A.A.C. R14-4-303(H)(3).

On April 13, 2011, a full public hearing was convened before a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona. The Division was present with counsel. The Respondents failed to appear. At the conclusion of the proceeding, it was indicated that the Division would file a closing brief by July 8, 2011, and the matter was taken under advisement pending the submission of a Recommended Opinion and Order to the Commission.

On July 8, 2011, the Division filed its closing brief.

* * * * * * * * * *

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

FINDINGS OF FACT

1. Jere Parkhurst is an individual who, at all relevant times herein, was a resident of Arizona.

2. Michelle Parkhurst is an individual who, at all relevant times herein, was a resident of Arizona and the spouse of Jere Parkhurst.

3. CSH was an Arizona limited liability company organized on November 19, 2004. Respondent Jere Parkhurst was a member and its statutory agent at that time.

4. PFH was an Arizona limited liability company organized on September 12, 2002. Respondent Jere Parkhurst and his wife, Respondent Michelle Parkhurst, were members and he became its statutory agent on July 10, 2007.

5. At all relevant times herein, Respondent, Jere Parkhurst, also did business as either CFG or CSD.

6. On January 24, 2008, Jere Parkhurst filed Articles of Termination for PFH with the Commission.

7. In support of the allegations raised in the Notice with respect to Respondents' alleged violations of the Act, the Division called the following four investor witnesses: Mrs. Christine Ellis; Mr. Michael Olson; Mr. Norman Heinrich; and Ms. Elaine D'Aprile. Mr. Gary Clapper, a special

investigator with the Division, also appeared as a witness.

8. Based on the record, from the beginning of 2006 through at least 2007, Respondent Jere Parkhurst, CSH and PFH offered and/or sold to offerees and investors either an investment in a note secured by a second deed of trust or what was termed a "lender agreement" wherein an investor purchased a home which Respondent Parkhurst was to rehabilitate, and when the property was sold, Respondents were to split the profits with the investor.

9. Mrs. Christine Ellis testified that she is a real estate broker in Phoenix and began to do business with Mr. Parkhurst after she saw a home in downtown Phoenix that he had renovated. She discussed the possibility of purchasing properties with him and renovating them so that they could be sold for a profit. (Tr. 13-14: 2-4)

10. Mrs. Ellis identified copies of emails which she received from Mr. Parkhurst. In his emails to prospective investors Mr. Parkhurst recommended properties that he believed could be sold for a profit. Mr. Parkhurst would send similar emails to anybody in his database requesting second lien positions. (Tr. 14: 18-22) (Ex. S-33)

11. Mrs. Ellis testified that she and her husband agreed to invest $105,000 for the renovation of a house located at 1326 West Culver Street in Phoenix that was to be renovated by Respondents' contractors. When the home was sold they expected to earn a 20 to 30 percent rate of return based on Respondent Parkhurst's representations. (Tr. 15: 7-23)

12. Mrs. Ellis further testified that Mr. Parkhurst had found the home and told her that it would be a great investment because it would sell quickly once the residence was renovated. (Tr. 16: 17-20)

13. When the Ellises made their investment in the home on West Culver Street, they took a second deed of trust position on the property. (Tr. 18: 1-2)

14. However, Mrs. Ellis stated that some of the offerings by Mr. Parkhurst offered both first and second positions on the liens involved. (Tr. 19: 1-3)

15. According to Mrs. Ellis, when she invested with Mr. Parkhurst he was doing business as CSH or something similar. (Tr. 20: 8-11)

16. Mrs. Ellis testified that when she did business with Mr. Parkhurst, he recorded the

liens on the properties. (Tr. 21: 4-12)

17. Mrs. Ellis stated that Mr. Parkhurst's wife had been involved in the operations of CSH also. (Tr. 22: 4-12)

18. Mrs. Ellis testified that according to the settlement statement for the house located at 1326 West Culver Street in Phoenix, $105,000 was used for the deposit to purchase the house. However, she understood that her entire investment was to be used for the planned rehabilitation of the property. (Tr. 23: 13-22)

19. Mrs. Ellis further testified that the house located at 1326 West Culver Street in Phoenix had some renovation work done, but the renovation was never completed. (Tr. 23-24: 23-7)

20. Ultimately Mr. Parkhurst quitclaimed the property to the Ellises in the attempt to recover their investment, but Mrs. Ellis had no idea what happened to the balance of their funds which purportedly were to be used for the renovation. (Tr. 24-25: 8-6)

21. Mrs. Ellis described six properties that she and husband had been involved with for investment purposes with the Respondents. Their investments had resulted in either short sales or foreclosures which resulted in losses on all of their investments. (Tr. 26: 1-15)

22. Mrs. Ellis testified that although she and her husband have been unable to recover any of their investments with Mr. Parkhurst and CSH, she has observed Mr. Parkhurst with new cars and what she termed "a beautiful home." (Tr. 32-33: 19-3)

23. Another investor, Mr. Michael Olson, a resident of Denver, Colorado, began his testimony by stating that Mr. Parkhurst had "scammed me out of some money back in 2007." (Tr. 34: 9-19)

24. Mr. Olson testified that he learned about an investment opportunity with Mr. Parkhurst from an acquaintance who was with a financial company in Denver. (Tr. 37: 18-21)

25. Mr. Olson described wiring $85,000 to Mr. Parkhurst to hold a second mortgage on an investment home. (Tr. 34: 20-25)

26. Based on Mr. Parkhurst's representations, Mr. Olson believed that in return for his $85,000 investment he would hold a second lien on a home. His investment was to be used to "fix up the property" so that it could be sold for a profit, purportedly within six months at which time he

would receive his $85,000 back after receiving a 20 percent monthly return on his investment. (Tr. 38: 5-17)

27. Mr. Olson stated that under the terms of his investment with Mr. Parkhurst and CSH, he was to receive a monthly return of 20 percent on his investment until the home was sold. However, when Mr. Olson received the Respondents' first monthly interest check, in the amount of $1,416.66, it bounced. (Tr. 41: 11-18)

28. Mr. Olson testified that after he telephoned Mr. Parkhurst, he did not receive a return call. Mr. Olson heard nothing further until he got a letter from an attorney stating that CSH was in trouble and would not be making payments. (Tr. 41: 19-25)

29. Mr. Olson further testified that he subsequently received a letter from an attorney that CSH was involved in a federal bankruptcy proceeding. (Tr. 35: 2-3)

30. Mr. Olson testified that the home that he invested in subsequently went into foreclosure and he lost his entire investment. (Tr. 43: 1-6)

31. At a later date, Mr. Olson stated that he received a letter from Mr. Parkhurst as president of CSH describing the downturn of the housing market in Phoenix and nationwide. Mr. Parkhurst further described his attempts to work through his company's current financial difficulties and thanked him for his patience and support. (Tr. 44: 8-16)

32. On or about December 4, 2007, Mr. Parkhurst on behalf of himself and CSH signed a settlement agreement with Mr. Olson with respect to Mr. Olson's $85,000 investment and acknowledged a debt of $96,328, which included the interest owed to Mr. Olson. Attached to the agreement as an exhibit was a note promising repayment signed by Mr. Parkhurst. (Tr. 44: 17-19) (Ex. S-13)

33. As of the date of the hearing, Mr. Olson testified that he has not received any payments from Mr. Parkhurst. (Tr. 44: 2-23)

34. Mr. Olson further stated that at no time did Mr. Parkhurst inform him that he was not making payments as promised on similar investments by other individuals and that his other home investments were being foreclosed upon. (Tr. 46-47: 17-6)

35. Mrs. Norma Heinrich, a housewife/realtor from Goodyear, testified that she met Mr.

Parkhurst after viewing an internet advertisement which promised a 20 percent return for the "rehab of a house downtown." (Tr. 53-54: 14-1)

36. Subsequently, Mrs. Heinrich testified that she met Mr. Parkhurst at his office and he drove her and her husband around "to show us properties that he'd already done." (Tr. 54: 10-16)

37. Mr. and Mrs. Heinrich invested $109,000 that was to be used to rehab a home on Sixth Avenue in Phoenix and were promised a return of 20 percent per annum on their investment. (Tr. 54-55: 17-7)

38. In return for their investment, the Heinrichs received a promissory note secured by a second deed of trust from Mr. Parkhurst and one of his companies, PFH. (Tr. 55: 1)

39. According to Mrs. Heinrich, her investment was to be used to rehabilitate a house and convert it into an office building. (Tr. 56: 23-25)

40. Mrs. Heinrich further testified that the investment was to be made for nine months or less and Mr. Parkhurst to make all decisions related to the rehabilitation of the property. (Tr. 57: 4-18)

41. Subsequently, when Mrs. Heinrich went to see the property several months after her investment, she described it as "a mess" and it did not appear to have been rehabilitated. (Tr. 62: 6-11)

42. Although the Heinrichs received some payments from Mr. Parkhurst, some of his checks "would bounce first and then I'd have to drag it out him." Subsequently, the Heinrichs were notified by a Mesa law firm that the property was going into foreclosure and was to be sold by a trustee on December 5, 2007. (Tr. 64: 3-6) (Ex. S-19)

43. Prior to the Heinrichs investing, Mr. Parkhurst failed to inform them of the following: that either he or one of his companies was not making interest payments; that his checks were bouncing; that foreclosures and trustee sales had taken place on various properties; and that monies were not being used for rehabilitation as represented. (Tr. 65: 1-20)

44. As a result of Mr. Parkhurst's failure to make payments to the Heinrichs, they encountered difficulties in paying a second mortgage which they had taken on their own home to make their investment and they lost another home to foreclosure that they had planned to rehabilitate. (Tr. 66: 13-22)

45. Additionally, Mrs. Heinrich testified that as a result of their investment problems with

Mr. Parkhurst, ultimately she and her husband lost their own home and also went bankrupt. (Tr. 66: 23-25)

46. A nurse from Washington D.C., Ms. Elaine D'Aprile, testified that she became acquainted with Mr. Parkhurst through a mutual acquaintance and that she subsequently made some investments in Phoenix real estate. One investment involved a second deed of trust on a home at 334 West Lewis Street and another investment was a home that she purchased at 334 East Medlock Street. Both properties were to be rehabilitated by Mr. Parkhurst. (Tr. 70: 10-17)

47. According to Ms. D'Aprile, Mr. Parkhurst promised her a 20 percent return for a $98,300 investment in the West Lewis Street property, for which she received a second deed of trust and a promised monthly return of 20 percent on her investment until the property was rehabilitated and sold. (Tr. 72: 3-7)

48. Ms. D'Aprile further testified that the home on West Lewis Street was not rehabilitated and went into foreclosure. She stated that she did receive one payment of approximately $1,600, but she was unable to cash subsequent payments from Mr. Parkhurst. (Tr. 72: 15-25)

49. Ms. D'Aprile stated that her second investment, the property located at 334 East Medlock Street, involved her purchasing the property, which had a house on it, for approximately $345,000. Her agreement with Mr. Parkhurst required him to pay every other month's mortgage payment. Ms. D'Aprile further testified that she was also required to pay $75,000 for the cost of rehabilitating the property, after which the home was to be sold and she and Mr. Parkhurst were to split the profits. (Tr. 73: 14-22)

50. Ms. D'Aprile stated that Mr. Parkhurst failed to make the mortgage payments as he had agreed. As a result, Ms. D'Aprile was required to make all of the mortgage payments on the East Medlock Street property. With respect to both homes, Ms. D'Aprile testified that she had no control over the rehabilitation that was to take place on the properties. (Tr. 74: 1-9)

51. According to Mr. D'Aprile, she visited the East Medlock property and it was never rehabilitated. She believes that the West Lewis property was not rehabilitated either. (Tr. 79: 3-6)

52. Additionally, Ms. D'Aprile testified that prior to investing, she was not informed of the following: that Mr. Parkhurst's checks for interest payments were being returned for insufficient

funds; that Mr. Parkhurst was not making first mortgage payments on investor properties; and that Mr. Parkhurst was having investment properties go into foreclosure. (Tr. 81: 1-15)

53. Ms. D'Aprile testified that if she had known that Mr. Parkhurst was defaulting on interest payments, failing to rehabilitate various properties, and that properties were going into foreclosure, she would not have invested with Respondents. (Tr. 81-82: 24-2)

54. Ms. D'Aprile testified that she filed a lawsuit against Mr. Parkhurst for his breach of his agreement, but she has not received any money from him and has lost more than $300,000 as a result of her dealings with him. (Tr. 83: 1-19)

55. Mr. Gary Clapper, a special investigator with the Division, testified that he had reviewed Commission records related to CSH and PFH. (Tr. 89: 12-24)

56. Based on Mr. Clapper's investigation of Commission records, he determined that Mr. Parkhurst conducted his business under a number of names including those of CSH and PFH, which were limited liability companies formed in Arizona. Mr. Parkhurst also did business as CFG and CSD, but neither of these entities ever existed as legal business entities in Arizona.

57. During the course of Mr. Clapper's investigation, he interviewed Mr. and Mrs. James Muha who had invested $97,000 with Mr. Parkhurst to remodel a home at 715 East Coronado Road in Phoenix. The Muhas were given a second mortgage as security and promised a 20 percent rate of return on their investment. (Ex. S-60)

58. The Muhas made their initial investment of $51,585.35 on December 4, 2006, and received a partial repayment on their investment back from Mr. Parkhurst.

59. Based on Mr. Clapper's investigation, the Muhas told him that they had no control or input into decisions that were made with respect to the remodeling of the property. (Tr. 97: 1-11)

60. Further, Mr. Clapper testified that the property in which the Muhas invested ultimately went into foreclosure. (Tr. 99: 20-21)

61. According to Mr. Clapper, Mr. Parkhurst failed to disclose the following to the Muhas: that he issued interest checks that were returned for insufficient funds; that he wasn't making mortgage payments; that his investment properties were going into foreclosure; and that remodeling was neither started nor completed.

62. The Muhas told Mr. Clapper that if they had known these facts about Mr. Parkhurst's business activities, they would not have invested with him. (Tr. 102: 17-21)

63. During Mr. Clapper's investigation, he also came into contact with another investor, Mr. Chris Reno, who he also interviewed. (Tr. 103: 1-5)

64. Mr. Clapper testified that Mr. Reno told him that he invested in three different properties offered by Mr. Parkhurst. (Tr. 104: 2-4)

65. According to documentation received from Mr. Reno, Mr. Clapper testified that Mr. Reno's first investment was in a home located at 68 West Willetta Street in Phoenix in which he invested $100,000 using funds from his 401(k). Mr. Reno's second investment was in a home at 542 West Cambridge Avenue in Phoenix in which Mr. Reno again invested $100,000 with funds from his 401(k). Mr. Reno invested in a third home at 828 East Windsor Avenue in Phoenix. Mr. Reno invested $97,000 in that home with funds obtained from a home equity line of credit on his own home. The first two investments were made on March 6, 2007, and the third investment was made on April 13, 2007. (Tr. 104: 5-20)

66. According to Mr. Clapper, Mr. Reno told him that he received a deed of trust as the second mortgage holder on all three properties, with similar terms offered to other investors including a 20 percent rate of return. (Tr. 105: 1-13)

67. Referring to Exhibit S-25, Mr. Clapper stated that Mr. Parkhurst had signed, as a member of CSH, the deed of trust and assignment of rents for the property located at 828 East Windsor Avenue in Phoenix in which Mr. Reno had invested $97,000.[2] (Tr. 105: 14-24)

68. Mr. Clapper further testified that Mr. Reno told him that all of his invested funds were purportedly to be used for the rehabilitation of the three properties. (Tr. 107: 4-9)

69. With respect to Mr. Reno's investment in the property located at 542 West Cambridge Avenue in Phoenix, Mr. Clapper's investigation revealed that of Mr. Reno's $100,000 investment which was to be used for the rehabilitation of the property, $55,082.22 was transferred to CSH, the borrower on the property. (Tr. 107-108: 16-7)

70. Reviewing further documents provided by Mr. Reno, Mr. Clapper testified that with

[2] CSH was the holder of the first lien on the deed of trust for that property.

respect to the property located at 542 West Cambridge Avenue in Phoenix, only a total of $414.97 was spent on rehabilitation and with respect to the property located at 68 West Willetta Street in Phoenix only $395.10 was spent. (Tr. 108-109: 14-19)

71. Mr. Clapper testified that to his knowledge, the three homes in which Mr. Reno invested all went into foreclosure. Mr. Clapper stated that documentation from Mr. Reno with respect to the property located at 542 West Cambridge Avenue in Phoenix in which Mr. Reno invested on March 6, 2007, showed that it went into foreclosure on April 1, 2007. (Tr. 110-111: 15-17)

72. Mr. Clapper further testified that with respect to the home located at 68 West Willetta Street in Phoenix in which Mr. Reno invested on March 6, 2007, that this property went into foreclosure on April 7, 2007. (Tr. 111-112: 18-13)

73. Mr. Clapper stated that Mr. Reno had told him that Mr. Parkhurst had failed to disclose the following: that he was not making interest payments; that interest payment checks were returned for insufficient funds; that similar investments were going into foreclosure for other investors; that Mr. Parkhurst was receiving notices of foreclosures on other investment properties; and that Mr. Parkhurst was failing to either start rehabilitation or to complete rehabilitation on the properties. (Tr. 112-113: 14-14)

74. Mr. Reno told Mr. Clapper that if he known the problems that Mr. Parkhurst was encountering with the investment properties that he was to rehabilitate and sell to earn income for investors, that he would not have invested with Mr. Parkhurst. (Tr. 113: 16-20)

75. Mr. Clapper testified concerning two other investors, Greg and Gretchen Baskin, who invested in two properties with Mr. Parkhurst and CSH. After speaking with Mr. Baskin, Mr. Clapper stated that he learned that the first property was located at 329 West Almeria Avenue in Phoenix in which the Baskins invested $50,000 using a cashier's check as payment and that the second property was located at 537 West Holly Lane in Phoenix in which the Baskins invested $60,000, also using a cashier's check as payment. (Tr. 114-116: 20-12)

76. The Baskins' investments were made using what were termed "lender agreements," the first on August 28, 2006, for the 329 West Almeria Avenue property and the second on September 26, 2006, for the 537 West Holly Lane property. The respective agreements provided for

a return of principal upon the sale of the properties, and after payment of all expenses, the Baskins were to receive 50 percent of the profits. (Ex. S-37 and S-38)

77. According to Mr. Clapper, both of the properties in which the Baskins invested went into foreclosure, and the Baskins received no money back from their investments. (Tr. 116: 19-24)

78. Referring to Exhibit S-39, Mr. Clapper identified a list of eleven investors who invested a total of $879,300 with Mr. Parkhurst and his various business entities. Only $55,040 has been returned to investors, leaving an outstanding balance owed to investors of $824,260 for their investments which were made between August 28, 2006 and April 3, 2007. (Tr. 117: 1-20)

79. During the course of Mr. Clapper's investigation, he stated that he learned from Mrs. Parkhurst's mother, Elizabeth Tucker, that Mr. Parkhurst had been married to Michelle Parkhurst since approximately December 1996. (Tr. 118: 1-7)

80. As of the date of the hearing, Mr. Clapper had found no evidence that the Parkhursts had been divorced. (Tr. 118: 20-25)

81. Mr. Clapper further testified that the Division reviewed Mr. Parkhurst's bank accounts and found little indication that there was any real major rehabilitation work occurring at the investment properties, and that the only income the Parkhursts had to live on during the relevant timeframe was from CSH and PFH, whose funds came from investors. (Tr. 122: 1-8)

82. Upon our review of the entire record of this matter, a preponderance of the evidence establishes that Respondents, Jere Parkhurst and his related business entities, committed multiple violations of the Act by offering and selling their property investments in a fraudulent manner. Additionally, there is sufficient evidence which establishes that the marital community benefited from Mr. Parkhurst's and his related business entities' activities in this offering.

83. Respondents failed to appear and presented no evidence which would credibly rebut the evidence presented in the proceeding. Therefore, they should be held liable for their violations of the Act which resulted from the fraudulent offering and should make restitution, and pay an administrative penalty.

. . .

. . .

CONCLUSIONS OF LAW

1. The Commission has jurisdiction of this matter pursuant to Article XV of the Arizona Constitution and A.R.S. § 44-1801, *et seq.*

2. The investment offerings as described herein and sold by Respondents Jere Parkhurst, CSH and PFH constituted securities within the meaning of A.R.S. § 44-1801.

3. Respondents Jere Parkhurst, CSH and PFH acted as dealers and/or a salesman within the meaning of A.R.S. § 44-1801(9)(22).

4. The actions and conduct of Respondents, Jere Parkhurst, CSH and PFH constitute the offer and sale of securities within the meaning of A.R.S. § 44-1801(21).

5. Respondents Jere Parkhurst, CSH and PFH committed fraud in the sale of securities, engaging in transactions, practices or a course of business which involved untrue statements and omissions of material facts in violation of A.R.S. § 44-1991.

6. The marital community of Respondents Jere Parkhurst and Michelle Parkhurst should be included in any order of restitution and penalties ordered hereinafter.

7. Respondents Jere Parkhurst, CSH and PFH have violated the Act and should cease and desist pursuant to A.R.S. § 44-2032 from any future violations of A.R.S. § 44-1991 and all other provisions of the Act.

8. The actions and conduct of Respondents Jere Parkhurst, CSH and PFH constitute multiple violations of the Act and are grounds for an Order of restitution pursuant to A.R.S. §§ 44-2032 and for an Order assessing administrative penalties pursuant to A.R.S. § 44-2036.

ORDER

IT IS THEREFORE ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondents Jere Parkhurst, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. shall cease and desist from their actions described hereinabove in violation of A.R.S. § 44-1991.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondents Jere Parkhurst and Michelle Parkhurst, to the extend allowable

pursuant to A.R.S. § 25-215, jointly and severally, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. shall make restitution in an amount not to exceed $824,260, which restitution shall be made pursuant to A.A.C. R14-4-308 subject to legal set-offs by the Respondents and confirmed by the Director of Securities, said restitution to be made within 60 days of the effective date of this Decision.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. §§ 44-2032 and 44-2031(C), the marital community of Respondents Jere Parkhurst and Michelle Parkhurst, husband and wife, to the extent allowable pursuant to A.R.S. § 25-215, jointly and severally, shall make restitution in an amount not to exceed $824,260, which restitution shall be made pursuant to A.A.C. R14-4-308 subject to legal set-offs by the Respondents and confirmed by the Director of Securities, said restitution to be made within 60 days of the effective date of this Decision.

IT IS FURTHER ORDERED that the restitution ordered hereinabove shall bear interest at the rate of 10 percent per year for the period from the dates of investment to the date of payment of restitution by Respondents.

IT IS FURTHER ORDERED that all restitution payments ordered hereinabove shall be deposited into an interest-bearing account(s), if appropriate, until distributions are made.

IT IS FURTHER ORDERED that the Commission shall disburse the funds on a *pro-rata* basis to the investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased and the Commission cannot reasonably identify and locate the deceased investor's spouse or natural children surviving at the time of distribution, shall be disbursed on a *pro-rata* basis to the remaining investors shown on the records of the Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse shall be transferred to the general fund of the State of Arizona.

IT IS FURTHER ORDERED pursuant to authority granted to the Commission under A.R.S. § 44-2036, Respondents Jere Parkhurst and Michelle Parkhurst, husband and wife, to the extent allowable pursuant to A.R.S. § 25-215, jointly and severally, and Jere Parkhurst dba C-Street

Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. shall pay as and for an administrative penalty for the violation of A.R.S. § 44-1991, the sum of $50,000. The payment obligation for this administrative penalty shall be subordinate to any restitution obligations ordered herein and shall become immediately due and payable only after restitution payments have been paid in full or upon Respondents' default with respect to Respondents' restitution obligations.

IT IS FURTHER ORDERED that pursuant to authority granted to the Commission under A.R.S. § 44-2036, that Respondents Jere Parkhurst and Michelle Parkhurst, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. shall pay the administrative penalty ordered hereinabove in the amount of $50,000 payable by either cashier's check or money order payable to "the State of Arizona" and presented to the Arizona Corporation Commission for deposit in the general fund for the State of Arizona.

IT IS FURTHER ORDERED that if Respondents Jere Parkhurst and Michelle Parkhurst, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. fail to pay the administrative penalty ordered hereinabove, any outstanding balance plus interest at the maximum level amount may be deemed in default and shall be immediately due and payable, without further notice.

IT IS FURTHER ORDERED that if any of the Respondents Jere Parkhurst and Michelle Parkhurst, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. fail to comply with this order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. The acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

IT IS FURTHER ORDERED that default shall render Respondents Jere Parkhurst and Michelle Parkhurst, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. liable to the Commission for its cost of collection and interest at the maximum legal rate.

IT IS FURTHER ORDERED that if any of the Respondents Jere Parkhurst and Michelle Parkhurst, Jere Parkhurst dba C-Street Financial Group and C-Street Development, L.L.C., C-Street Holdings, L.L.C. and Phoenix Financial Holdings, L.L.C. fail to comply with this Order, the Commission may bring further legal proceedings against the Respondent(s), including application to the Superior Court for an Order of Contempt.

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IT IS FURTHER ORDERED that pursuant to A.R.S. § 44-1974, upon application the Commission may grant a rehearing of this Order. The application must be received by the Commission at its offices within 20 calendar days after entry of this Order. Unless otherwise ordered, filing an application for rehearing does not stay this Order. If the Commission does not grant a rehearing within twenty calendar days after filing the application, the application is considered to be denied. No additional notice will be given of such denial.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

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

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

MES:db

SERVICE LIST FOR: JERE PARKHURST AND MICHELLE PARKHURST DBA C-STREET FINANCIAL GROUP AND C-STREET DEVELOPMENT, L.L.C.; C-STREET HOLDINGS, L.L.C.; AND PHOENIX FINANCIAL HOLDINGS, L.L.C.

DOCKET NO.: S-20761A-10-0409

Jere Parkhurst
Michelle Parkhurst
C-STREET FINANCIAL GROUP et al.
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