

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

- GARY PIERCE, Chairman
- BOB STUMP
- SANDRA D. KENNEDY
- PAUL NEWMAN
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2011 DEC 20 P 1:32

ADDED TO THE DOCKET CONTROL

In the matter of:)
 ARTHUR FRIED, an unmarried man,)
 COMPREHENSIVE CASH FLOW)
 FUNDING, INC., a dissolved Arizona)
 corporation,)
 WEBUYHOMESINAZ, LLC, an Arizona)
 limited liability company,)
 MY BARGAIN GIFT BAG, LLC FKA)
 BROOKLYN BOYS VENTURES, LLC, an)
 Arizona limited liability company,)
 and)
 LOAN MOD SHRINK, LLC FKA)
 ESCALADE VENTURES, LLC, an Arizona)
 limited liability company,)
 Respondents.)

DOCKET NO. S-20826A-11-0455

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

Arizona Corporation Commission DOCKETED

DEC 20 2011

DOCKETED BY [Signature]

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 ARTHUR FRIED, COMPREHENSIVE CASH FLOW FUNDING, INC., WEBUYHOMESINAZ, LLC, MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS VENTURES, LLC and LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC 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").

1 The Division alleges ARTHUR FRIED controlled COMPREHENSIVE CASH FLOW
2 FUNDING, INC., WEBUYHOMESINAZ, LLC, MY BARGAIN GIFT BAG, LLC FKA
3 BROOKLYN BOYS VENTURES, LLC, and LOAN MOD SHRINK, LLC FKA ESCALADE
4 VENTURES, LLC, within the meaning of A.R.S. § 44-1999 so that he is jointly and severally liable
5 under A.R.S. § 44-1999 to the same extent as COMPREHENSIVE CASH FLOW FUNDING, INC.,
6 WEBUYHOMESINAZ, LLC, MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS
7 VENTURES, LLC and LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC, for
8 violations of the Securities Act.

9 The Division alleges COMPREHENSIVE CASH FLOW FUNDING, INC. controlled
10 WEBUYHOMESINAZ, LLC, MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS
11 VENTURES, LLC and LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC, within
12 the meaning of A.R.S. § 44-1999 so that it is jointly and severally liable under A.R.S. § 44-1999 to the
13 same extent as WEBUYHOMESINAZ, LLC, MY BARGAIN GIFT BAG, LLC FKA
14 BROOKLYN BOYS VENTURES, LLC and LOAN MOD SHRINK, LLC FKA ESCALADE
15 VENTURES, LLC, for violations of the Securities Act.

16 **I.**

17 **JURISDICTION**

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

20 **II.**

21 **RESPONDENTS**

22 2. ARTHUR FRIED (“FRIED”) was, at all relevant times, a resident of Scottsdale,
23 Arizona. FRIED now resides in Brooklyn, New York.

24 3. COMPREHENSIVE CASH FLOW FUNDING, INC. (“COMPREHENSIVE”) was,
25 from July 25, 2003, through January 5, 2010, an Arizona corporation. On January 5, 2010,
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1 COMPREHENSIVE was administratively dissolved by the Commission for failure to file an annual
2 report. FRIED was the president and director of COMPREHENSIVE.

3 4. WEBUYHOMESINAZ, LLC (“WEBUYHOMESINAZ”) was organized in Arizona
4 on December 14, 2004. At the time it was organized, FRIED was identified as the manager and a
5 member of WEBUYHOMESINAZ. On July 1, 2005, COMPREHENSIVE replaced FRIED as the
6 manager and member of WEBUYHOMESINAZ. On May 28, 2009, COMPREHENSIVE was
7 removed as member and manager and AF Business Ventures, LLC¹ became the manager and a
8 member of WEBUYHOMESINAZ.

9 5. MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS VENTURES, LLC,
10 (“BROOKLYN BOYS”) was organized in Arizona on August 17, 2005, as an Arizona limited
11 liability company. At the time it was organized, COMPREHENSIVE was identified as the
12 manager and a member of BROOKLYN BOYS. On May 28, 2009, BROOKLYN BOYS filed
13 Articles of Amendment with the Commission changing its name to MY BARGAIN GIFT BAG,
14 LLC. and substituting AF Business Ventures, LLC for COMPREHENSIVE, as manager and a
15 member of MY BARGAIN GIFT BAG, LLC.

16 6. LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC,
17 (“ESCALADE”) was, since August 22, 2005, an Arizona limited liability company whose manager
18 and member was COMPREHENSIVE. On January 19, 2010, ESCALADE filed Articles of
19 Amendment with the Commission changing its name to LOAN MOD SHRINK, LLC. At the same
20 time, WEBUYHOMESINAZ was substituted for COMPREHENSIVE as manager and a member.

21 7. FRIED, COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS, and
22 ESCALADE may be referred to collectively as “Respondents.”

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¹ AF Business Ventures, LLC was organized as an Arizona limited liability company on May 21, 2009. FRIED is the sole manager and member of AF Business Ventures, LLC.

1 needed to do was provide the funds. Further, FRIED represented that investors would receive 12
2 percent per annum paid monthly. In addition, FRIED confirmed the representations in the
3 advertisement that the investors' investments were to be secured with first position liens as
4 advertised.

5 13. WEBUYHOMESINAZ's website stated its mission "is to help people invest their
6 money safely and securely with a guaranteed high-yield return, while we put good people who
7 don't have great credit into their dream homes!" Further, the information made available for
8 prospective investors stated "when you put your money to work with us, it grows well beyond
9 conventional investments."

10 14. WEBUYHOMESINAZ website described its investment opportunity as a "high-
11 yield low-risk investment opportunity." Further, the website stated that investors "can make a safe
12 investment in an Arizona Real Estate Secured Loan and Net 10-12%" on their money.

13 15. The website stated: "Invest with us. Wisely Simply and Safely. Put your money to
14 work with a High-Yield Low-Risk Investment Opportunities." The website also stated that an
15 investment through WEBUYHOMESINAZ is a very safe investment that produces a high-yield.
16 According to the website, investors could expect 10 - 12 % return on their investments in two
17 years.

18 16. Beginning in about September 2004, through August 2009, at least 16 investors
19 invested \$1,976,249.92. Investors have received \$923,127.26 from the Respondents.

20 17. Investors' funds were deposited into bank accounts controlled by FRIED. Investors
21 typically made their investment checks payable to FRIED, COMPREHENSIVE,
22 WEBUYHOMESINAZ, ESCALADE, or other entities controlled by FRIED. FRIED transferred
23 funds between the various bank accounts he controlled.

24 18. According to the WEBUYHOMESINAZ advertisement and FRIED, the investors'
25 "money is secured by a first position lien." A majority of the promissory notes issued by FRIED,
26 COMPREHENSIVE, BROOKLYN BOYS or ESCALADE stated that the promissory notes were

1 secured by a "mortgage" or deed of trust on specific properties. The promissory notes were signed
2 by FRIED individually or on behalf of one of his entities.

3 19. With the promissory note, the investors were also provided with a deed of trust
4 listing the same property that was listed on the promissory note. The Deeds of Trusts listed the
5 "grantors" or the Trustors as FRIED, BROOKLYN BOYS, ESCALADE or Shefa Ventures, LLC².

6 20. At least one investor agreed to have a second position lien on real property.

7 21. At least three investors were provided unsecured promissory notes that were signed
8 by FRIED individually or on behalf of COMPREHENSIVE.

9 22. Most investors received promissory notes and deeds of trusts at the time they
10 invested.

11 23. One group of investors received promissory notes and deeds of trusts several years
12 after their investments were made. Only after repeated requests for documentation regarding their
13 investments did they receive the promissory notes and deeds of trusts. The deeds of trusts appeared
14 to have been recorded with the Maricopa County Recorder's office when, in fact, the recordation
15 stamp was forged and there was no recording reflecting the investors' interest in the property. In
16 fact, on a number of transactions, neither FRIED nor his entities held title to the real property that
17 was listed in the deeds of trusts.

18 24. The monthly interest payments FRIED paid to investors were drawn on any of the
19 bank accounts FRIED controlled including, but not limited to, COMPREHENSIVE,
20 WEBUYHOMES and other FRIED controlled entities. Often, the interest payments to investors
21 were made with other investors' funds. In at least one instance, interest payments were made to an
22 investor with their own funds.

23 25. The term of the investment was for six months, but FRIED subsequently changed it
24 to one year. FRIED offered some of the investors the option of receiving monthly interest
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26 ² Shefa Ventures, LLC was, since February 18, 2005, an Arizona limited liability company whose manager and member was FRIED. On July 1, 2005, COMPREHENSIVE replaced FRIED as the sole member and manager of Shefa Ventures, LLC. As of January 5, 2011, FRIED became the sole member and manager of Shefa Ventures, LLC.

1 payments calculated at 12 percent per annum. Other investors were promised an 18 to 20 percent
2 return.

3 26. Investors received monthly interest payments from one of the bank accounts FRIED
4 controlled, until about November 2008. After November 2008, the payments to investors were
5 paid late. Then, FRIED began issuing checks to investors for monthly interest payments on
6 accounts containing insufficient funds. Eventually, the payments to investors ceased.

7 27. On March 2, 2009, FRIED sent an email to some investors stating that all interest
8 payments would be suspended for "approximately 120 days" to "ensure that our investors/lenders
9 principal will remain intact, and to avoid any foreclosures. . . ." In addition, the interest rates would
10 be reduced to six percent. In the same email, FRIED stated that "we have been consumed with
11 maintaining our credit worthiness and good standing with our lenders by borrowing from one
12 source to pay the others and this has created a massive strain and chaos on completing our projects
13 to accomplish our goals while paying double digit interest rates. However, I regret to say, this is
14 simply not sustainable any longer."

15 28. Respondents used investor funds for purposes other than what was represented to the
16 investors. For instance, investor funds were used to repay prior investors and FRIED's personal
17 expenses.

18 **IV.**

19 **VIOLATION OF A.R.S. § 44-1841**

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

21 29. From on or about September 2004, through August 2009, Respondents offered or sold
22 securities in the form of notes and investment contracts, within or from Arizona.

23 30. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
24 Securities Act.

25 31. This conduct violates A.R.S. § 44-1841.

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V.

VIOLATION OF A.R.S. § 44-1842

(Transactions by Unregistered Dealers or Salesmen)

32. Respondents offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

33. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991

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

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

a) Misrepresenting to investors that their investments were secured by deeds of trusts when, in fact, some investors did not receive a secured interest in specific real property;

b) Misrepresenting to investors that their investment funds would be used to purchase and renovate real property when, in fact, some of the investment funds were used to pay prior investors and FRIED's personal expenses;

c) Failing to disclose to investors that Respondents did not own the property designated in some of the deeds of trusts at the time Respondents purportedly granted secured interests to investors in specific real property.

35. This conduct violates A.R.S. § 44-1991.

36. FRIED directly or indirectly controlled persons or entities within the meaning of A.R.S. § 44-1999, including but not limited to COMPREHENSIVE, WEBUYHOMESINAZ,

1 BROOKLYN BOYS and ESCALADE. Therefore, FRIED is jointly and severally liable under
2 A.R.S. § 44-1999 to the same extent as COMPREHENSIVE, WEBUYHOMESINAZ,
3 BROOKLYN BOYS and ESCALADE for any violations of A.R.S. § 44-1991.

4 37. COMPREHENSIVE directly or indirectly controlled entities within the meaning of
5 A.R.S. § 44-1999, including but not limited to WEBUYHOMESINAZ, BROOKLYN BOYS and
6 ESCALADE. Therefore, COMPREHENSIVE is jointly and severally liable under A.R.S. § 44-1999
7 to the same extent as WEBUYHOMESINAZ, BROOKLYN BOYS and ESCALADE, for any
8 violations of A.R.S. § 44-1991.

9 VII.

10 REQUESTED RELIEF

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

- 12 1. Order Respondents to permanently cease and desist from violating the Securities Act,
13 pursuant to A.R.S. § 44-2032;
- 14 2. Order Respondents to take affirmative action to correct the conditions resulting from
15 Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to
16 A.R.S. § 44-2032;
- 17 3. Order Respondents to pay the state of Arizona administrative penalties of up to five
18 thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
- 19 4. Order any other relief that the Commission deems appropriate.

20 VIII.

21 HEARING OPPORTUNITY

22 Each respondent may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306.
23 **If a Respondent requests a hearing, the requesting respondent must also answer this Notice.** A
24 request for hearing must be in writing and received by the Commission within 10 business days after
25 service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the
26 request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona

1 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the
2 Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

3 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin
4 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the
5 parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission
6 may, without a hearing, enter an order granting the relief requested by the Division in this Notice of
7 Opportunity for Hearing.

8 Persons with a disability may request a reasonable accommodation such as a sign language
9 interpreter, as well as request this document in an alternative format, by contacting Shaylin A.
10 Bernal, ADA Coordinator, voice phone number 602/542-3931, e-mail sabernal@azcc.gov.
11 Requests should be made as early as possible to allow time to arrange the accommodation.
12 Additional information about the administrative action procedure may be found at
13 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

14 **IX.**

15 **ANSWER REQUIREMENT**

16 Pursuant to A.A.C. R14-4-305, if a Respondent requests a hearing, the requesting
17 respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to Docket
18 Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007, within
19 30 calendar days after the date of service of this Notice. Filing instructions may be obtained from
20 Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at
21 <http://www.azcc.gov/divisions/hearings/docket.asp>.

22 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
23 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
24 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
25 addressed to Wendy Coy.

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

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

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

Dated this 20th day of December, 2011.



Mark Dinell
Assistant Director of Securities