

OPEN MEETING ITEM

2/23/12



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

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR



RECEIVED

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SECURITIES DIVISION
1300 West Washington, Third Floor
Phoenix, AZ 85007
TELEPHONE: (602) 542-4242
FAX: (602) 388-1335
E-MAIL: securitiesdiv@azcc.gov

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

MEMORANDUM

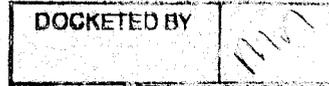
TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

Arizona Corporation Commission

DOCKETED

FEB 13 2012

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



DATE: February 7, 2012

RE: Proposed Order to Cease and Desist, for Restitution, and for Administrative Penalty regarding 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, Docket No. S-20826A-11-0455

CC: Ernest G. Johnson, Executive Director

Please find attached a proposed Order to Cease and Desist, for Restitution, and for Administrative Penalty ("Order") regarding 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. The Order requires the Respondents to cease and desist from violating the Securities Act, pay restitution to investors in the principal amount of \$1,053,122.66, and pay an administrative penalty in the amount of \$150,000. On December 21, 2011, a copy of the Notice was personally served on the statutory agent for the Respondents. Respondents have failed to request a hearing and answer the allegations in the notice within the prescribed time limits.

Between September 2004, and August 2009, Respondents operated a real estate investment business that purchased Arizona real estate intending to renovate the property. Respondents raised money from investors to fund the purchase of the real estate and the renovation costs. Once the renovated property was sold, the investors were to receive the return of their principal and the promised return.

The Order finds that Respondents violated A.R.S. §§44-1841 and 44-1842 by selling unregistered securities in the form of notes and investment contracts while being unlicensed. In addition, the Order finds that Respondents violated A.R.S. §44-1991 because there were untrue statements or misleading omissions of material fact. The Division believes that the Order is appropriate to protect the public welfare.

Originator: Wendy Coy

1 On December 21, 2011, copies of the Notice were personally served on the statutory agent
2 for COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS and ESCALADE.
3 COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS and ESCALADE failed to
4 request an administrative hearing within 10 days after receipt of the Notice, pursuant to A.R.S. §44-
5 1972 and A.A.C. Rule R14-4-306. COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN
6 BOYS and ESCALADE have failed to file an Answer within 30 days of service of the Notice,
7 pursuant to A.A.C. Rule R14-4-305.

8 **I.**

9 **FINDINGS OF FACT**

10 1. COMPREHENSIVE CASH FLOW FUNDING, INC. ("COMPREHENSIVE") was,
11 from July 25, 2003, through January 5, 2010, an Arizona corporation. On January 5, 2010,
12 COMPREHENSIVE was administratively dissolved by the Commission for failure to file an annual
13 report. Fried was the president and director of COMPREHENSIVE.

14 2. WEBUYHOMESINAZ, LLC ("WEBUYHOMESINAZ") was organized in Arizona
15 on December 14, 2004. At the time it was organized, Fried was identified as the manager and a
16 member of WEBUYHOMESINAZ. On July 1, 2005, COMPREHENSIVE replaced Fried as the
17 manager and member of WEBUYHOMESINAZ. On May 28, 2009, COMPREHENSIVE was
18 removed as member and manager and AF Business Ventures, LLC¹ became the manager and a
19 member of WEBUYHOMESINAZ.

20 3. MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS VENTURES, LLC,
21 ("BROOKLYN BOYS") was organized in Arizona on August 17, 2005, as an Arizona limited
22 liability company. At the time it was organized, COMPREHENSIVE was identified as the
23 manager and a member of BROOKLYN BOYS. On May 28, 2009, BROOKLYN BOYS filed
24 Articles of Amendment with the Commission changing its name to MY BARGAIN GIFT BAG,
25

26 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 LLC. and substituting AF Business Ventures, LLC for COMPREHENSIVE, as manager and a
2 member of MY BARGAIN GIFT BAG, LLC.

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

8 5. COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS, and
9 ESCALADE may be referred to collectively as “Respondents.”

10 6. Between September 2004, and August 2009, Fried, individually and through
11 COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS and ESCALADE, operated a
12 real estate investment business that purchased Arizona real estate intending to renovate the
13 property. Respondents raised money from investors to fund the purchase of the real estate and the
14 renovation costs. Once the renovated property was sold, the investors were to receive the return of
15 their principal and the promised return.

16 7. Fried ultimately controlled COMPREHENSIVE, WEBUYHOMESINAZ,
17 BROOKLYN BOYS and ESCALADE (the “entities”). All business decisions for the named entities
18 were made by Fried. Fried controlled the bank accounts for all the named entities. The investors
19 had no control over the entities or the bank accounts.

20 8. Fried, through WEBUYHOMESINAZ, sought investors through various sources
21 including advertisements in newspapers, members of Fried’s congregation, websites and real estate
22 investment clubs.

23 9. From about September 2004, through about February 2005, Fried and
24 WEBUYHOMESINAZ sought investors through the placement of advertisements in the *Jewish*
25 *News of Greater Phoenix*. The advertisements stated:
26

1 **Do You Have An IRA Or Any Other Investment Capital That**
2 **You Are Not Getting A Guaranteed High-Yield Rate Of**
3 **Return On Safely?** We buy homes in Arizona. We borrow funds
4 from private individuals to purchase and/or rehab these homes.
5 Your money is secured by a first position lien, and we pay a
6 guaranteed high-yield interest rate plus 3 months interest when we
7 pay your loan off early. *Investment partnerships are also*
8 *available.* **Did you know that you can use your IRA to invest in**
9 **real estate?** All transactions are closed by professionals, with title
10 and property insurance, appraisals and all other proper
11 documentation.

12 10. In response to the advertisement, Fried represented to investors that he would
13 purchase homes, renovate the homes and then sell the homes for a profit and all the investors
14 needed to do was provide the funds. Further, Fried represented that investors would receive 12
15 percent per annum paid monthly. In addition, Fried confirmed the representations in the
16 advertisement that the investors' investments were to be secured with first position liens as
17 advertised.

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

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

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

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

3 15. Investors' funds were deposited into bank accounts controlled by Fried. Investors
4 typically made their investment checks payable to Fried, COMPREHENSIVE,
5 WEBUYHOMESINAZ, ESCALADE, or other entities controlled by Fried. Fried transferred funds
6 between the various bank accounts he controlled.

7 16. According to the WEBUYHOMESINAZ advertisement and Fried, the investors'
8 "money is secured by a first position lien." A majority of the promissory notes issued by Fried,
9 COMPREHENSIVE, BROOKLYN BOYS or ESCALADE stated that the promissory notes were
10 secured by a "mortgage" or deed of trust on specific properties. The promissory notes were signed
11 by Fried individually or on behalf of one of his entities.

12 17. With the promissory note, the investors were also provided with a deed of trust
13 listing the same property that was listed on the promissory note. The Deeds of Trusts listed the
14 "grantors" or the Trustors as Fried, BROOKLYN BOYS, ESCALADE or Shefa Ventures, LLC².

15 18. At least one investor agreed to have a second position lien on real property.

16 19. At least three investors were provided unsecured promissory notes that were signed
17 by Fried individually or on behalf of COMPREHENSIVE.

18 20. Most investors received promissory notes and deeds of trusts at the time they
19 invested.

20 21. One group of investors received promissory notes and deeds of trusts several years
21 after their investments were made. Only after repeated requests for documentation regarding their
22 investments did they receive the promissory notes and deeds of trusts. The deeds of trusts appeared
23 to have been recorded with the Maricopa County Recorder's office when, in fact, the recordation
24 stamp was forged and there was no recording reflecting the investors' interest in the property. In

25 _____
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 fact, on a number of transactions, neither Fried nor his entities held title to the real property that
2 was listed in the deeds of trusts.

3 22. The monthly interest payments Fried paid to investors were drawn on any of the
4 bank accounts Fried controlled including, but not limited to, COMPREHENSIVE,
5 WEBUYHOMES and other Fried controlled entities. Often, the interest payments to investors were
6 made with other investors' funds. In at least one instance, interest payments were made to an
7 investor with their own funds.

8 23. The term of the investment was for six months, but Fried subsequently changed it to
9 one year. Fried offered some of the investors the option of receiving monthly interest payments
10 calculated at 12 percent per annum. Other investors were promised an 18 to 20 percent return.

11 24. Investors received monthly interest payments from one of the bank accounts Fried
12 controlled, until about November 2008. After November 2008, the payments to investors were
13 paid late. Then, Fried began issuing checks to investors for monthly interest payments on accounts
14 containing insufficient funds. Eventually, the payments to investors ceased.

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

23 26. Respondents used investor funds for purposes other than what was represented to the
24 investors. For instance, investor funds were used to repay prior investors and Fried's personal
25 expenses.

26 . . .

1 II.

2 CONCLUSIONS OF LAW

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

5 2. Respondents 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. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were
8 neither registered nor exempt from registration.

9 4. Respondents violated A.R.S. § 44-1842 by offering or selling securities while
10 neither registered as dealers or salesmen nor exempt from registration.

11 5. Respondents 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.

15 6. COMPREHENSIVE directly or indirectly controlled persons or entities within the
16 meaning of A.R.S. § 44-1999, including but not limited to WEBUYHOMESINAZ, BROOKLYN
17 BOYS AND ESCALADE. Therefore, COMPREHENSIVE is jointly and severally liable under
18 A.R.S. § 44-1999 to the same extent as WEBUYHOMESINAZ, BROOKLYN BOYS AND
19 ESCALADE for any violations of A.R.S. § 44-1991.

20 7. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.
21 § 44-2032.

22 8. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
23 2032.

24 9. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-
25 2036.

1 **III.**

2 **ORDER**

3 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the
4 Commission finds that the following relief is appropriate, in the public interest, and necessary for
5 the protection of investors:

6 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of
7 Respondents' agents, employees, successors and assigns, permanently cease and desist from
8 violating the Securities Act.

9 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents
10 COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS and ESCALADE jointly and
11 severally shall pay restitution to the Commission in the principal amount of \$ 1,053,122.66.
12 Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to
13 be placed in an interest-bearing account controlled by the Commission. Any principal amount
14 outstanding shall accrue interest at the rate of 10 percent per annum from the date of purchase until
15 paid in full. Interest in the amount of \$1,127,959.60 has accrued from the date of purchase to
16 February 23, 2012.

17 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
18 records of the Commission. Any restitution funds that the Commission cannot disburse because an
19 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
20 investor because the investor is deceased and the Commission cannot reasonably identify and
21 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
22 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
23 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
24 shall be transferred to the general fund of the state of Arizona.

25 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents
26 COMPREHENSIVE, WEBUYHOMESINAZ, BROOKLYN BOYS and ESCALADE, jointly and

1 severally pay an administrative penalty in the amount of \$150,000. Payment is due in full on the
2 date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall
3 accrue interest from the date judgment is entered at the rate of 10 percent per annum.

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

7 IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the
8 Commission may bring further legal proceedings against that Respondent, including application to
9 the superior court for an order of contempt.

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

16 IT IS FURTHER ORDERED, that no finding of fact or conclusion of law contained in this
17 Order shall be deemed binding against any Respondent under this Docket Number who is not
18 subject to this Order.

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

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

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

3
4
5 CHAIRMAN

COMMISSIONER

6
7 COMMISSIONER

COMMISSIONER

COMMISSIONER

8
9 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
10 Executive Director of the Arizona Corporation
11 Commission, have hereunto set my hand and caused the
12 official seal of the Commission to be affixed at the Capitol,
13 in the City of Phoenix, this _____ day
14 of _____, 2012.

15
16
17 _____
18 ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20
21 _____
22 DISSENT

23
24 _____
25 DISSENT

26 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

(wlc)

1 SERVICE LIST FOR: ARTHUR FRIED, COMPREHENSIVE CASH FLOW FUNDING,
2 INC., WEBUYHOMESINAZ, LLC, MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS
3 VENTURES, LLC and LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC.

4 Arthur Fried
5 1413 42nd St
6 Brooklyn, NY 11219

7 Arthur Fried
8 1421 Sheepshead Bay Road, No. 163
9 Brooklyn, NY 11235

10 COMPREHENSIVE CASH FLOW FUNDING, INC.
11 PO Box 14858
12 Scottsdale, AZ 85267

13 WEBUYHOMESINAZ, LLC
14 20235 N. Cave Creek Rd #104-626
15 Phoenix, AZ 85024

16 MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS VENTURES, LLC
17 20235 N. Cave Creek Rd #104-626
18 Phoenix, AZ 85024

19 LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC
20 PO Box 14858
21 Scottsdale, AZ 85267

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

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

7 In the matter of:)
8 ARTHUR FRIED, an unmarried man,)
9 COMPREHENSIVE CASH FLOW FUNDING,)
10 INC., a dissolved Arizona corporation,)
11 WEBUYHOMESINAZ, LLC, an Arizona limited)
12 liability company,)
13 MY BARGAIN GIFT BAG, LLC FKA)
14 BROOKLYN BOYS VENTURES, LLC, an)
15 Arizona limited liability company,)
16 and)
17 LOAN MOD SHRINK, LLC FKA ESCALADE)
18 VENTURES, LLC, an Arizona limited liability)
company,)
Respondents.)

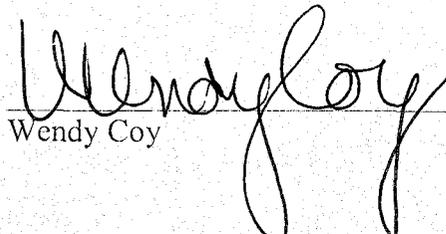
DOCKET NO. S-20826A-11-0455

**NOTICE OF FILING OF PROPOSED
OPEN MEETING AGENDA ITEM**

19 Pursuant to A.A.C. R14-4-303, you are hereby notified that the attached: Order To Cease
20 And Desist, Order For Restitution And Order For Administrative Penalties Re: Comprehensive
21 Cash Flow Funding, Inc., Webuyhomesinaz, LLC, My Bargain Gift Bag, LLC fka Brooklyn Boys
22 Ventures, LLC And Loan Mod Shrink, LLC fka Escalade Ventures, LLC was filed with the
23 Arizona Corporation Commission's Docket Control.

24 Dated: 2/13/12

25 By:

26 
Wendy Coy

1 I hereby certify that I have this day served the foregoing document on all parties of record
2 in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

3 Arthur Fried
4 1413 42nd St
5 Brooklyn, NY 11219

6 Arthur Fried
7 1421 Sheepshead Bay Road, No. 163
8 Brooklyn, NY 11235

9 COMPREHENSIVE CASH FLOW FUNDING, INC.
10 PO Box 14858
11 Scottsdale, AZ 85267

12 WEBUYHOMESINAZ, LLC
13 20235 N. Cave Creek Rd #104-626
14 Phoenix, AZ 85024

15 MY BARGAIN GIFT BAG, LLC FKA BROOKLYN BOYS VENTURES, LLC
16 20235 N. Cave Creek Rd #104-626
17 Phoenix, AZ 85024

18 LOAN MOD SHRINK, LLC FKA ESCALADE VENTURES, LLC
19 PO Box 14858
20 Scottsdale, AZ 85267

21 Dated: 2/13/12

22 By: 
23 Emie R. Bridges, Executive Assistant