**BEFORE THE ARIZONA CORPORATION COMMISSION**



COMMISSIONERS

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

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| IN THE MATTER OF:<br><br>ROBERT W. MANGOLD and MICHELLE M. MANGOLD, husband and wife;<br><br>ONE SOURCE MORTGAGE & INVESTMENTS, INC., an Arizona corporation;<br><br>STRATEGIC EQUITY INVESTMENTS, LLC, an Arizona limited liability corporation;<br><br>Respondents. | DOCKET NO. S-20669A-09-0187<br><br>DECISION NO. 71964<br><br>**OPINION AND ORDER** |

DATES OF PRE-HEARING CONFERENCES: May 27 and September 17, 2009

DATE OF HEARING: January 25 and 28, 2010

PLACE OF HEARING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Marc E. Stern

APPEARANCES: Mr. Robert W. Mangold, *in propria persona* and on behalf of One Source Mortgage & Investments, Inc. and Strategic Equity Investments, LLC;

Mrs. Michelle M. Mangold, *in propria persona*; and

Mr. Phong (Paul) Huynh, Staff Attorney, on behalf of the Securities Division of the Arizona Corporation Commission.

**BY THE COMMISSION:**

On April 21, 2009, the Securities Division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Robert W. Mangold and Michelle M. Mangold, husband and wife, One Source Mortgage & Investments, Inc. ("OSMI") and Strategic Equity Investments, LLC ("SEI") (collectively "Respondents") in which the

Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in the form of notes and/or investment contracts.

The Respondents were duly served with copies of the Notice.

On May 4, 2009, a request for hearing was filed by Respondent Robert W. Mangold.

On May 5, 2009, by Procedural Order, a pre-hearing conference was scheduled for May 27, 2009.

On May 27, 2009, at the pre-hearing conference, the Division appeared with counsel and Respondent, Robert Mangold, appeared on his own behalf. No other Respondents entered an appearance or requested a hearing. The Division and Mr. Mangold indicated that they were attempting to reach a resolution on the issues raised by the Notice and stipulated that a status conference be scheduled in approximately 45 days if a Consent Order was not approved by the Commission.

On May 28, 2009, by Procedural Order, a status conference was scheduled on July 16, 2009.

On July 14, 2009, Mr. Mangold filed a request for a continuance of the status conference. He further indicated the Division did not object to the continuance.

On July 15, 2009, by Procedural Order, the status conference was continued to September 17, 2009.

On September 17, 2009, at the status conference, the Division appeared with counsel and Mr. Mangold appeared on his own behalf. The Division and Mr. Mangold indicated that they were continuing to negotiate a form of Consent Order. In the interim, the Division requested that a hearing be scheduled in January 2010. Subsequently, by Procedural Order, a hearing was scheduled to commence on January 25, 2010.

On January 25, 2010, a full public hearing was convened before a duly authorized Administrative Law Judge of the Commission at its office in Phoenix, Arizona. Mr. Mangold appeared on his own behalf and on behalf of OSMI and SEI. At this point, Mrs. Mangold had not requested a hearing and was not present. At the outset of the proceeding, counsel for the Division indicated that a Consent Order had not been concluded with the Respondents because Mrs. Mangold was unwilling to bind the marital community with liability for the violations of the Act which were alleged to have been committed by Mr. Mangold and OSMI and SEI in the Notice. However, Mr.

Mangold on behalf of himself and on behalf of OSMI and SEI agreed to and executed a Stipulation of Facts ("SOF") which is marked Exhibit "A," attached hereto and incorporated herein by reference with respect to the allegations in the Notice. The SOF was admitted into evidence as Exhibit S-54 with the deletion of Findings of Fact No. 8 and a short portion of Findings of Fact No. 23. The SOF was filed in the docket following the conclusion of the hearing on January 25, 2010, reflecting the two minor deletions. Additionally, supporting the SOF were 60 exhibits admitted into the record. The Division and Mr. Mangold then requested that the hearing go forward on the issue of determining whether the marital community should be found liable if the Commission concluded that the alleged violations of the Act occurred in the offer and sale of the notes and/or investment contracts by Mr. Mangold, OSMI and SEI as set forth in the Notice.

Due to the fact that Mrs. Mangold was not present at the outset of the hearing on January 25, 2010, the proceeding was continued to January 28, 2010, in order to allow her appearance in the proceeding. On January 28, 2010, the proceeding was reconvened with the Division present with counsel and Mr. and Mrs. Mangold on their own behalf.[1] At the conclusion of the hearing, the matter was taken under advisement pending submission of a Recommended Opinion and Order to the Commission.

* * * * * * * * * *

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

## FINDINGS OF FACT[2]

1. Robert W. Mangold is an individual residing in Maricopa County, Arizona. Mr. Mangold is currently not employed by a securities dealer and has not been a registered securities salesman since January 2005.

. . .

[1] Although Mrs. Mangold had not requested a hearing in writing pursuant to A.R.S. § 44-1972, she was afforded an opportunity to be heard in order to preserve her due process rights.

[2] Findings of Fact Nos. 1 through 70 were those stipulated to in the SOF by Mr. Mangold with respect to the violations of the Act alleged in the Notice and admitted into evidence as Exhibit S-54. Findings of Fact Nos. 71 through 105 were adduced during the hearing and involve the remaining issues with respect to the liability of the marital community raised by the allegations in the Notice.

2. OSMI is a corporation incorporated in Arizona with its principal place of business in Scottsdale, Arizona.

3. SEI is a limited liability company formed in Arizona with a principal place of business in Scottsdale, Arizona.

4. Mr. Mangold is the Chief Executive Officer and Director of OSMI and is the sole member of SEI.

5. Mr. Mangold has been a resident of the state of Arizona since at least 2005.

6. At all relevant times, Michelle W. Mangold was the spouse of Respondent Robert Mangold.

7. At all relevant times, Mr. Mangold was acting for his own benefit and for the benefit of OSMI and SEI for which he was the only member.

8. Mr. Mangold, individually or through his entities OSMI or SEI, owned and operated the following websites: www.profitfromyourmortgage.com; www.foreclosuresinyourIRA.com; www.buyforeclosuredeals.net; and www.strategicequityinvestments.com.

9. Mr. Mangold, through his respective websites and/or personal solicitations, disclosed to Potential Arizona Investors ("PAI") and/or investors that he had been in the mortgage lending and/or real estate business for over 15 years, had authored various real estate investing books, and/or had a method to assist individuals to become cash millionaires within ten years.

10. Mr. Mangold, individually or through his entities OSMI and SEI, offered multiple options for investment, mainly centered on investing home equity or cash to purchase real estate foreclosure property and the underlying mortgage note. Mr. Mangold stated he had strategic partnerships that allowed him to purchase discounted foreclosure properties and notes in bulk. The real estate foreclosure properties would be rehabilitated to be rented or resold. The underlying mortgage notes would be serviced to obtain interest payments due and/or the notes resold for a profit.

11. From at least July 2006 to December 2007, Mr. Mangold, individually or through his entities OSMI and SEI, offered and/or sold the various investment opportunities, within or from Arizona, through personal or website solicitations. The various investment opportunities offered and/or sold were (A) OSMI profit sharing arrangements projecting 14 percent or greater returns; (B)

SEI membership interests in an LLC, which each would derive returns based on the real estate foreclosure property transactions; (C) OSMI notes; and (D) SEI notes. The Respondents raised a total sum of at least $4,965,982.00 from investors.

**A. OSMI PROFIT SHARING AGREEMENT**

12. From July 2006 to August 2006, Mr. Mangold, on behalf of OSMI, sold investment contracts to at least five (5) investors, within or from Arizona, for a total of $500,000.00.

13. OSMI solicited investors residing in Arizona through websites and at seminars where Mr. Mangold was the presenter.

14. On or about July 2006, an Arizona investor visited the website www.profitfromyourmortgage.com and thereafter contacted Mr. Mangold.

15. Mr. Mangold is the registrant and administrative contact for the website www.profitfromyourmortgage.com.

16. A subsequent meeting in Arizona occurred between Mr. Mangold, acting individually or on behalf of OSMI, and the investor. During the meeting, Mr. Mangold discussed and described the investment opportunity.

17. Mr. Mangold stated that he had an inside track with banks because of the large volume of business he did with them and thus he was able to purchase foreclosed real estate assets ("REOs") at a discount and that such opportunities were not available to the general public.

18. On or about August 1, 2006, Mr. Mangold sold an investment contract, within or from Arizona. The agreement (titled as a "Profit Sharing Agreement" on the document provided by Mr. Mangold) was executed by OSMI and the investor. The agreement was signed by Mr. Mangold, on behalf of OSMI, as its president and CEO.

19. Under the terms of the Profit Sharing Agreement, the investor agreed to invest money that would be used to purchase nonperforming mortgage notes of REOs for a total of $100,000. Mr. Mangold represented that the REOs were discounted for sale as their total unpaid principal balance was far greater than their sale price.

20. Under the terms of the Profit Sharing Agreement, OSMI and the investor agreed to the following:

(a) OSMI would service the notes, collect the monthly loan payments due, and/or resell the pool of REO notes for a profit;

(b) OSMI would be paid a monthly servicing fee for each property serviced and would continue to provide such service until all of the properties were sold. The investor could not terminate the servicing arrangement unless mutually agreed to by OSMI;

(c) The investor would execute a durable and irrevocable power of attorney to OSMI to authorize OSMI to sign on the investor's behalf with regards to all expenditures and transactions related to the pool of REO notes;

(d) The investor would "not subordinate these assets or sell these assets to any party other than at OSMI's direction";

(e) OSMI would provide to the investor a monthly accounting of any payments due to the investor and the profit distribution would be provided to the investor the following month after each property was sold;

(f) OSMI would not subordinate the assets to any other party; and

(g) The investor and OSMI would each receive 50 percent of the net profits.

21. Mr. Mangold selected and/or obtained the REOs without any investor input or oversight. As part of the Profit Sharing Agreement, an attachment titled "Schedule A" was included that listed the address location, city, state, unpaid principal balance, and sale price of each REO property and related mortgage note that the investor's monies would be used to purchase. Some REOs were obtained through the purchase of tax lien, tax deed sale or from Mortgage Assistance Corporation, a Texas corporation that held title to certain REO properties.

22. Mr. Mangold also represented to the investor that a "deed" for each property would secure the investment and that each deed would be executed and ownership would be titled in the investor's name. The properties were detailed in the Schedule A submitted to the investor; however, no deeds of any type were executed in the investor's name in connection with all (if even any) of the properties listed in the Schedule A.

23. The investor was not told that another investor had also been given title and/or ownership interest in the same property. In at least one instance, multiple investors were provided a divided ownership interest in the same underlying property securing the investment when they were provided a Schedule A allegedly represented the properties that would be placed in "deed" in the investor's name, securing an undivided interest in the property, and securing the investment. Mangold provided the same property to a separate investor as security for his investment.

24. In at least one instance, Mr. Mangold provided the investor with a report that detailed or updated the status of the underlying properties. This report stated that certain properties listed in the investor's Schedule A had been sold for a profit. Yet, the investor has not received any share of the profits made.

25. Mr. Mangold failed to disclose to investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes. In at least one instance, Mr. Mangold stated that there was no risk at all because the investor would be secured.

26. Mr. Mangold represented to the investor that the term of the Profit Sharing Agreement would be 12 to 18 months; however, the investor did not receive any payment in accordance with Mr. Mangold's representation or the terms of the Profit Sharing Agreement.

27. At least five investors executed a profit sharing agreement with the same material terms and characteristics as described above.

28. The investment contracts are not registered with the Commission.

29. At all times relevant, OSMI was not a registered dealer and Mr. Mangold was not a registered salesman with the Commission.

**B. SEI MEMBERSHIP INTERESTS IN AN LLC**

30. From on or about July 2006 to August 2007, Mr. Mangold, on behalf of SEI, offered and sold investment contracts, within or from Arizona for a total of at least $2,175,482.00.

31. Investors were offered membership interests into certain Texas limited liability companies (LLC) in which SEI was a member and manager. Each investor was made a member of the LLC, was given limited powers, and profits were to be paid out to investors proportionate to their percentage of contribution. At least four such LLCs were established and interests were sold to at least 11 investors.

32. The LLC would pool the investor money to purchase nonperforming mortgage notes of REOs.

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33. Concurrent with the LLC operating agreement, a Servicing Agreement was included as an attachment, which stated that the LLC was engaging SEI to service all the REOs purchased by the LLC.

34. Mr. Mangold applied his experience and expertise in selecting and choosing which REOs to acquire. In some instances, these assets were already chosen by Mr. Mangold prior to the investor's investment and participation as an LLC member, as evidenced by an "Exhibit B Asset List" included with the LLC operating agreement that listed a series of REO properties that purportedly secured the investments made by the LLC.

35. An LLC operating agreement was provided to investors that detailed the rights of the parties. The LLC operating agreement contained the following:

(a) Management of the LLC is vested in the Manager;

(b) SEI is the Manager;

(c) As Manager, SEI has the authority to:

1. Enter into and execute all agreements, contracts, and related documents to run the business;

2. Carry out the business of the LLC;

3. Enter into insurance contracts for the LLC;

4. Employ people and set such compensation; and

5. "To sell assets to another investor as well as maintain servicing and/or obtain other incentives as deemed in the best interest of the company."

(d) The Members were given limited powers, such as modifying or amending the operating agreement and Servicing Agreement; however, such actions required unanimous consent of all members and thus SEI, as a member, could block or reject such attempts.

36. The LLC operating agreement was signed by Mr. Mangold, on behalf of SEI, as its president. SEI is also listed as "Member and Manager" on the signature page.

37. Furthermore, pursuant to the Servicing Agreement, the investors relied on SEI to, among other things:

(a) Manage, operate, control, rent and lease the REOs;

(b) Contract or make all necessary repairs;

(c) Collect all payments due;

(d) Inspect the properties and evict tenants as needed; and

(e) Provide periodic reporting.

38. The "Exhibit B Asset List" generally provided the address, city, state, valuation and unpaid principal balance of the underlying REO properties.

39. All the REO properties are located outside the state of Arizona. In at least one instance, the investors are located in Arizona and California and the 28 REO properties are all located in various cities in Michigan.

40. SEI did not provide documentation to investors that evidenced the investors' beneficial title and/or perfected security interests in the REO properties.

41. Mr. Mangold, individually or on behalf of SEI, described the investment as safe; however, Mr. Mangold and SEI failed to disclose to investors that they could lose all or a substantial amount of their investments since the debt instruments held by the LLC, in which the investors had an ownership interest, were not secured or that the security interest was not perfected.

42. The investment contracts are not registered with the Commission.

43. At all times relevant, SEI was not a registered dealer and Mr. Mangold was not a registered salesman with the Commission.

**C. OSMI NOTES**

44. From at least August 4, 2006 to December 14, 2006, Mr. Mangold, on behalf of OSMI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from Arizona.

45. The OSMI notes stated an annual rate of return of 12 percent and were sold to at least seven investors for a total of $471,500.00.

46. Mr. Mangold, on behalf of OSMI, represented that the OSMI note repayments would be derived from the purchase, servicing, and/or resell of REOs. In addition, Mr. Mangold discussed the safety of the purchase of the note since it would be secured by real property that would be detailed in a security agreement.

47. The note agreement contained, among other things, the following:

(a) OSMI is the Borrower of the note and would pay interest at the stated rate of return;

(b) The investor is the Lender of the note;

(c) The term of the note is two or three years; and

(d) A term that stated, "Security of Payment: A security interest in Instruments as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

48. Mr. Mangold signed the documents as president and CEO of OSMI.

49. The "Exhibit A" (sometimes titled "Schedule A") is a document that listed, in general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying REO properties.

50. Concurrent with the note or shortly thereafter, Mr. Mangold, on behalf of OSMI, executed a document titled "Security Agreement," which among other things, contained the following:

(a) OSMI is the Debtor;

(b) Investor is the Secured Party on the REOs contained in Exhibit A;

(c) The amount secured, as listed in the Exhibit A, is equal to or greater than the note amount;

(d) "Debtor owns the Collateral and has the authority to grant this security interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for taxes not yet due;"

(e) Debtor would, "[s]ign and deliver to Secured Party any documents or instruments that Secured Party considers necessary to obtain, maintain, and perfect this security interest in the Collateral";

(f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without paying off the [investor's] underlying Note within 30 days"; and

(g) "[…], the Debtor is not allowed to substitute collateral without first obtaining written permission from the Secured Party."

51. However, OSMI did not always have ownership and/or a perfected security interest in the underlying REO property at the time of executing the Security Agreement with the investor and thus could not provide ownership and/or perfected security interest to the investors.

52. To date, the investors have not received any documents evidencing their ownership and/or security interest in the underlying properties.

53. The investor was not told that another investor had also been given title and/or ownership interest in the same property. In at least one instance, Mr. Mangold on behalf of OSMI provided multiple investors a divided interest in the same REO property securing the investment when

he provided an investor a security agreement and "Exhibit A" that contained a property that was provided to another separate investor also securing the other investor's investment.

54. Mangold failed to disclose to investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes.

55. The notes are not registered with the Commission.

56. At all times relevant, OSMI was not a registered dealer and Mr. Mangold was not a registered salesman with the Commission.

**D. SEI NOTES**

57. From at least January 2, 2007 to December 10, 2007, Mr. Mangold, on behalf of SEI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from Arizona.

58. The SEI notes, with a promised annual rate of return of 12 percent or 14 percent, were sold to at least 20 investors for a total of at least $1,819,000.00, within or from Arizona.

59. Mr. Mangold, on behalf of SEI, represented that the SEI note repayments would be derived from the purchase, servicing, and/or resell of REOs. In addition, Mr. Mangold discussed the safety of the purchase of the note since it would be secured by real property that would be detailed in a security agreement.

60. The note agreement contained, among other things, the following:

(a) SEI is the Borrower of the note and would pay interest at the stated rate of return;

(b) The investor is the Lender of the note;

(c) The term of the note is two or three years; and

(d) "Security of Payment: A security interest in Instruments as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

61. Mr. Mangold signed the documents as president and CEO of SEI.

62. The "Exhibit A" (sometimes also titled "Schedule A") is a document that listed, in general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying REO properties.

...

63. Concurrent with the note or shortly thereafter, Mr. Mangold, on behalf of SEI, executed a document titled "Security Agreement," which among other things, contained the following:

(a) SEI is the Debtor;

(b) Investor is the Secured Party on the REOs contained in Exhibit A;

(c) The amount secured, as listed in the Exhibit A, is greater than or equal to the note amount;

(d) "Debtor owns the Collateral and has the authority to grant this security interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for taxes not yet due";

(e) Debtor would, "[s]ign and deliver to Secured Party any documents or instruments that Secured Party considers necessary to obtain, maintain, and perfect this security interest in the Collateral";

(f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without paying off the [investor's] underlying Promissory Note within 30 days"; and

(g) "[…], the Debtor is not allowed to substitute collateral without first obtaining written permission from the Secured Party."

64. However, SEI did not always have ownership and/or a perfected security interest in the underlying same REO property at the time of executing the Security Agreement with the investor and thus could not provide ownership and/or perfected security interest to the investors.

65. To date, the investors have not received any documents evidencing their ownership and/or security interest in the underlying properties.

66. The investor was not told that another investor had also been given title and/or ownership interest in the same property. In at least one instance, Mr. Mangold on behalf of SEI provided multiple investors a divided interest in the same REO property securing the investment when he provided an investor a security agreement and "Exhibit A" that contained a property that was provided to another separate investor also securing the other investor's investment.

67. Mr. Mangold failed to disclose to investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes.

68. The notes are not registered with the Commission.

69. At all times relevant, SEI was not a registered dealer and Mr. Mangold was not a registered salesman with the Commission.

70. The amount of Restitution and interest currently outstanding to investors on record with the Division is $6,224,453.

**E. MARITAL COMMUNITY**

71. During the evidentiary hearing concerning the issue of whether the marital community should be liable for the alleged violations of the Act by Mr. Mangold, OSMI and SEI, a Division investigator, Mr. Guy Phillips, testified that the Division had secured bank records from Chase Bank pursuant to a subpoena. (Tr. 63: 16-18)

72. Included with the Chase Bank records was a checking account summary which encompassed the relevant timeframe[3] for a consumer account ending in 3024 and a signature card signed by both Mr. and Mrs. Mangold. (Ex. S-56)

73. Mr. Phillips testified about a business account for OSMI ending in 7112 at Chase Bank with a signature card signed solely by Mr. Mangold during the relevant timeframe. The summary for the 7112 account reflected an online transfer on April 6, 2007, to the Chase Bank consumer account held by Mr. and Mrs. Mangold ending in 3024 in the amount of $10,000. (Tr. 69: 13-14).

74. Mr. Phillips testified further concerning another Chase business account ending in 0997 for SEI on which Mr. Mangold was also the sole signor. This account reflected a transfer of $28,600 on July 27, 2007, to Mr. and Mrs. Mangold's joint account at Chase ending in 3024. (Tr. 68: 3-20)

75. Mr. Phillips also testified that he had reviewed other Chase Bank statements covered by the subpoena and they reflected additional transactions between OSMI, SEI and Mr. and Mrs. Mangold. (Tr. 71: 6)

76. Mr. Phillips further testified that during the course of his investigation that he had reviewed records at the Maricopa County Recorder's Office and found that Mr. and Mrs. Mangold were recorded as owning real property pursuant to deeds of trust at 22626 North 43rd Place in Phoenix as husband and wife and at 23251 North 38th Place in Phoenix also as husband and wife. (Ex. S-59 and 60)

. . .

[3] The relevant timeframe includes the months from July 2006 through December 2007 when the alleged offerings took place. (SOF 11)

77. While testifying, Mr. Mangold stated that he and Mrs. Mangold had been married for 19 years and had been residents of Arizona for 13 years. (Tr. 84-85: 21-8)

78. Mr. Mangold testified that the majority of his income came from OSMI. (Tr. 87: 12-13)

79. Mr. Mangold testified further that during the relevant timeframe from July 2006 through December 2007, payments or income from OSMI were used to make mortgage payments for the residence that he and Mrs. Mangold maintained pursuant to a deed of trust and located at 22626 North 43rd Place in Phoenix. (Tr. 90: 1-12)

80. According to Mr. Mangold, there are no documents which set forth any sole and separate property of either himself and/or Mrs. Mangold. (Tr. 92: 9-12)

81. Although Mr. Mangold maintained that monies received from OSMI represented the repayment of loans from savings used to start the business, he acknowledged that cash received was set up in "a monthly payment or monthly salary, if you will, for lack of better of terms that I put into our joint checking account." (Tr. 100: 1-13)

82. Mr. Mangold testified that as monies were paid by OSMI to repay monies which had been personally loaned by the Mangolds to start up the corporation, the monies were then utilized to pay living expenses. (Tr. 95: 6-7)

83. Mr. Mangold further acknowledged that household expenses in the form of utility bills, grocery bills, department store bills and things of a similar nature such as credit card and telephone bills were paid from the Mangolds' joint checking account. (Tr. 100: 14-20)

84. Based on the record, besides the residence currently owned by Mr. and Mrs. Mangold at 22626 North 43rd Place in Phoenix, there is also evidence that they had owned another residence on North 38th Place as husband and wife during the relevant timeframe, but according to Mr. Mangold this property was lost due to foreclosure. (Tr. 104: 2-22)

85. Mr. Mangold contended that because Mrs. Mangold had no interest in either OSMI or SEI and because he had not signed any notes personally, or given personal guarantees to investors, that the marital community should not be liable under the Act.

86. Mrs. Mangold confirmed that she is married to Mr. Mangold and further stated that she had no ownership interest in either OSMI or SEI and had not worked for these entities during the

relevant timeframe. According to Mrs. Mangold, she had been a housewife at the time. (Tr. 106: 5-21)

87. Mrs. Mangold acknowledged that she had a joint checking account at Chase Bank with her husband, but maintained she did not make any deposits in it or use any funds from that account, instead maintaining that she used a Wells Fargo account. (Tr. 107: 3-12)

88. Mrs. Mangold further testified that Mr. Mangold had deposited monies into her Wells Fargo account from which she paid grocery, utility and other household bills. (Tr. 107-108: 20-3)

89. Mrs. Mangold subsequently testified that she was unaware of any pre-nuptial agreement which would establish that she had sole and separate property apart from Mr. Mangold's. Testifying further, Mrs. Mangold stated that she had not filed any petition for dissolution, divorce or legal separation as of the date of the hearing. (Tr. 108: 14-22)

90. Following the filing of the Division's post-hearing brief on March 18, 2010, which addressed the issues arising from the application of A.R.S. § 44-2031(C) with respect to the determination of the liability of the marital community, Respondents did not file a Response.

**F. ANALYSIS**

91. Pursuant to Article VI Section 14 of the Arizona Constitution, the Superior Court shall have original jurisdiction of matters related to divorce and for annulment of marriage.

92. The Act at A.R.S. § 44-2031(C) empowers the Commission as follows: "The Commission may join the spouse in any action authorized by this chapter to determine the liability of the marital community."

93. By this statute, the Arizona Legislature has provided the Commission with the authority to join the spouse of an alleged violator of the Act to determine liability of the marital community in one proceeding. However, on its face, the authority appears to be a discretionary act and not one mandated by law. Additionally, the law is silent on any apportionment of the liability of the marital community and therefore, this authority must lie with the Superior Court as set forth in the Arizona Constitution.

94. Further, since the law allows for the inclusion of a spouse, he/she is provided with an opportunity for due process so that the issues can be decided in one proceeding without needless

duplicitous litigation.

95. Although Mr. Mangold did not file a closing brief, he had contended that, despite the fact that his spouse had been a housewife during the relevant timeframe, the marital community should not be subject to liability for his alleged violations of the Act because his spouse had not been engaged in his business activities and had no ownership or management responsibilities with respect to OSMI and SEI.

96. In its brief, the Division argued that the evidence establishes that Respondents, Mr. and Mrs. Mangold, had been married during the relevant timeframe, had been residents of Arizona for 13 years, and that the parties had no pre-nuptial agreement prior to their marriage. The Division further argued that, pursuant to A.R.S. § 25-211, the law provides that all property acquired by either husband or wife during the marriage is the community property of the husband and wife except property that is acquired by gift, devise, descent or is acquired after service of a petition for dissolution of marriage, legal separation or annulment if the petition results in a Decree of Dissolution of Marriage, legal separation or annulment.

97. As was set forth in the SOF, Mr. Mangold indicated that he was acting for his own benefit and for the benefit of OSMI and SEI. However, absent evidence to the contrary, it is presumed that his actions were of benefit to the Mangolds' marital community.

98. The Division further argued that, pursuant to A.R.S. § 25-214(B), during marriage both spouses had equal control over their community property and equal power to bind the community as evidenced by the Mangolds' joint checking accounts and the deeds to their homes. Additionally, the Division argued that, pursuant to A.R.S. § 25-215(D), either spouse may contract debts and otherwise act for the benefit of the community.

99. As was pointed out by the Division in its brief, by participating in the hearing, the Respondents were provided with an opportunity to prove by clear and convincing evidence that they were not acting in furtherance of the marital community, that a debt is not a community debt and that the community was not the beneficiary of the alleged violations of the Act by Mr. Mangold and his related business entities. However, Respondents failed to provide any evidence that the community did not benefit from his alleged violations of the Act.

100. The Division, citing *Johnson v. Johnson*, 131 Ariz. 38, 45, 638 P.22d 705, 712 (1981), points out that "(T)he presumption of law is, in the absence of the contrary showing, that all property acquired and all business done and transacted during coverture, by either spouse, is for the community." Under the circumstances herein, and based on the SOF and on the record, Mr. Mangold was acting in furtherance of the marital community since there is clear evidence of funds being transferred from his related business entity, OSMI, to the joint checking account of Mr. and Mrs. Mangold, and further evidence that Mr. Mangold deposited monies into Mrs. Mangold's Wells Fargo account. Additionally, the Mangolds testified that the funds deposited in these accounts were then used to pay obligations of the marital community.

101. Further, there was no evidence presented by Respondents that the obligations arising from the alleged violations of the Act by Mr. Mangold, OSMI, and SEI were not community obligations and these obligations are debts of the Mangolds' marital community, since they were incurred during their marriage and occurred during the relevant timeframe from July 2006 through December 2007.

102. Clear examples of benefits to the marital community were established during the hearing with evidence that Mr. and Mrs. Mangold as husband and wife had a joint checking account, two personal residences, and utilized funds garnered from investors through OSMI or SEI to make payments for community expenses such as bills for utilities, groceries, credit cards and department stores.

103. As discussed by the Division in its brief, Mr. Mangold's wife was required to be joined in the Commission's action by the Division to obtain personal jurisdiction over her in order to afford her due process and to insure that the Commission could obtain an enforceable judgment if the evidence presented at hearing supported the allegations in the notice. The Division further examined the problems resulting from the doctrines of *res judicata* and collateral estoppel to avoid the problem of duplicative litigation. Since the Commission acts in a quasi-judicial manner, matters which could have been litigated during an administrative hearing, such as whether the marital community should be held liable, could be barred in subsequent proceedings if the matter could have been litigated before the Commission as has been done here.

104. The Division further cited A.R.S. § 25-215(D) which states, "spouses shall be sued jointly and the debt or obligation satisfied: first, from the community property, and second, from the separate property of the spouse contracting the debt or obligation." As argued by the Division, if the Division failed to join the spouse in this proceeding, the non-compliance with the statute could impact the Commission's ability to enter or enforce a binding judgment due to the doctrine of *res judicata* and collateral estoppel.

105. Under the circumstances, after considering the SOF, the testamentary and documentary evidence presented in the hearing, and reviewing the applicable law, we find that the Respondents, Robert Mangold, OSMI and SEI committed multiple violations of the Act in the offer and sale of securities in a fraudulent manner. Additionally, we believe that the legislative intent was clear that the legislature intended to give the Commission authority to determine whether the marital community should be held liable in an action for alleged violations of the Act. Based on the record, we find that the Respondents failed to meet their burden of proof to show by clear and convincing evidence that the marital community did not benefit from the violations of the Act found herein. Therefore, based on the evidence in this proceeding, the Respondents, the Mangolds, OSMI and SEI should be held liable jointly and severally for the violations of the Act as described herein. With respect to the amount of liability of the marital community, we shall leave the allocation of this obligation to the Superior Court, the court of competent jurisdiction.

## 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 in the form of investment contracts or notes offered by Respondents Robert Mangold, OSMI and SEI are securities within the meaning of A.R.S. § 44-1801.

3. The securities were neither registered nor exempt from registration, in violation of A.R.S. § 44-1841.

4. Respondents Robert Mangold, OSMI and SEI acted as dealers and/or salesmen within the meaning of A.R.S. § 44-1801(9)(22).

5. The actions and conduct of Respondents Robert Mangold, OSMI and SEI constitute the offer and sale of securities within the meaning of A.R.S. § 44-1801(15) and (21).

6. Respondents Robert Mangold, OSMI and SEI offered and sold an unregistered security within or from Arizona in violation of A.R.S. § 44-1841.

7. Respondents Robert Mangold, OSMI and SEI offered and sold a security within or from Arizona without being registered as a dealer and/or salesman in violation of A.R.S. § 44-1842.

8. Respondents Robert Mangold, OSMI and SEI committed fraud in the offer of an unregistered security, 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.

9. Respondents Robert Mangold, OSMI and SEI have violated the Act and should cease and desist pursuant to A.R.S. § 44-2032 from any future violations of A.R.S. §§ 44-1841, 44-1842 and 44-1991 and all other provisions of the Act.

10. The actions and conduct of Respondents Robert Mangold, OSMI and SEI constitute multiple violations of the Act and are grounds for an Order assessing restitution and administrative penalties pursuant to A.R.S. §§ 44-2032 and 44-2036.

11. The violations of the Act by Respondents Robert Mangold, OSMI and SEI were of benefit to the marital community and, as a result, the marital community of the Mangold Respondents should be liable pursuant to A.R.S. § 44-2031(C).

## ORDER

IT IS THEREFORE ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondents Robert W. Mangold, One Source Mortgage & Investments, Inc. and Strategic Equity Investments, LLC shall cease and desist from their actions described hereinabove in violation of A.R.S. §§ 44-1841, 44-1842 and 44-1991.

IT IS FURTHER ORDERED that pursuant to the authority granted to the Commission under A.R.S. § 44-2032, Respondents Robert W. Mangold, One Source Mortgage & Investments, Inc. and Strategic Equity Investments, LLC and Michelle M. Mangold, to the extent allowable pursuant to A.R.S. § 25-215, jointly and severally, shall make restitution in an amount not to exceed $6,224,453

which restitution shall be made pursuant to A.A.C. R14-4-308 subject to legal setoffs by the Respondents and confirmed by the Director of Securities, said restitution to be made within 90 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 annum* 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 that the Director of Securities may credit the amount of restitution owed by Respondents either individually and/or jointly and severally with the value of any real property assets distributed to the investors subject to Respondents having the sole responsibility to establish the value of the distributed assets to the satisfaction of the Division, subject to the discretion of the Director of Securities. Respondents shall provide the Division all information and documentation to verify that such restitution has been repaid, which the Division, subject to the discretion of the Director of Securities, may accept or reject. Such documentation shall include at least a valuation of the real property asset prepared by an independent licensed or certified appraiser and a notarized acceptance of such real property asset and valuation by the investor. Any principle amount outstanding shall accrue interest at the rate of 10 per cent *per annum* from the date of purchase until paid in full.

IT IS FURTHER ORDERED that the Commission shall disburse the funds on a *pro rata* basis to investors shown on the records of the Commission. Any restitution funds that the Commission finds 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 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 Robert W. Mangold, One Source Mortgage & Investments, Inc., Strategic Equity Investments, LLC, and Michelle M. Mangold, to the extent allowable pursuant to A.R.S. § 25-215, jointly and severally, shall pay as and for administrative penalties: for the violation of A.R.S. § 44-1841, the sum of $15,000; for the violation of A.R.S. § 44-1842, the sum of $15,000; and for the violation of A.R.S. § 44-1991, the sum of $20,000, for a total of $50,000. The payment obligations for these administrative penalties 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 the authority granted to the Commission under A.R.S. § 2036, that Respondents Robert W. Mangold, One Source Mortgage & Investments, Inc., Strategic Equity Investments, LLC, and Michelle W. Mangold, to the extent allowable pursuant to A.R.S. § 25-215, jointly and severally, 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 Robert W. Mangold, One Source Mortgage & Investments, Inc., Strategic Equity Investments, LLC, and Michelle W. Mangold, 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 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 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 fail to comply with this Order, the Commission may bring further legal proceedings against the Respondents, including application to the Superior Court for an Order of Contempt.

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

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN COMMISSIONER

**EXCUSED**
COMM. NEWMAN

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 5 day of November, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
MES:db

SERVICE LIST FOR: ROBERT W. MANGOLD, MICHELLE M. MANGOLD, ONE SOURCE MORTGAGE & INVESTMENTS, INC. AND STRATEGIC EQUITY INVESTMENTS, LLC

DOCKET NO.: S-20669A-09-0187

Robert W. Mangold
Michelle M. Mangold
22626 North 43rd Place
Phoenix, Arizona 85050

Matt Neubert, Director
Securities Division
ARIZONA CORPORATION COMMISSION
1300 West Washington Street
Phoenix, Arizona 85007

**EXHIBIT "A"**

HEARING

**BEFORE THE ARIZONA CORPORATION COMMISSION**



COMMISSIONERS

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



| | |
|---|---|
| In the matter of:<br><br>Robert W. Mangold and Michelle M. Mangold, husband and wife;<br><br>One Source Mortgage & Investments, Inc., an Arizona corporation;<br><br>Strategic Equity Investments, LLC, an Arizona limited liability company;<br><br>Respondents. | DOCKET NO. S-20669A-09-0187<br><br>**STIPULATION OF FACTS**<br><br>**BY: ROBERT W. MANGOLD, ONE SOURCE MORTGAGE & INVESTMENTS, INC., AND STRATEGIC EQUITY INVESTMENTS, LLC** |

On April 21, 2009, the Securities division ("Division") of the Arizona Corporation Commission ("Commission") filed a Notice of Opportunity for Hearing ("Notice") against Robert W. Mangold and Michelle M. Mangold, husband and wife, One Source Mortgage & Investments, Inc. ("OSMI") and Strategic Equity Investments, LLC ("SEI") in which the Division alleged multiple violations of the Arizona Securities Act ("Act") in connection with the offer and sale of securities in the form of notes and/or investment contracts.

Robert W. Mangold, Michelle M. Mangold, OSMI, and SEI were duly served with copies of the Notice.

On May 4, 2009, a request for hearing was filed by Respondent Robert W. Mangold. This request for hearing was titled, from: Robert Mangold; Michele Mangold; One Source Mortgage & Investments; and Strategic Equity Investments.

On September 17, 2009, at the status conference, the Division appeared with counsel and Mr. Mangold appeared on his own behalf. The Division and Mr. Mangold indicated that they are

continuing to negotiate a form of Consent Order. In the interim, the Division requested that a hearing be scheduled.

On September 17, 2009, by Procedural Order, a Hearing shall be held on January 25, 2010, at 10:00 a.m. at the Commission's offices, 1200 West Washington Street, Hearing Room 1, Phoenix, Arizona. It was further ordered that the parties shall reserve January 26, 27, and 28, 2010, for additional days of hearing, if necessary.

On January 20, 2010, counsel for the Division and Robert W. Mangold, OSMI, and SEI (collectively "Respondents") discussed the possibility of resolution of this matter by consent agreement. A consent agreement could not be finalized and it was agreed that a hearing in this matter could be significantly expedited if the parties could come to some sort of agreement with respect to various evidentiary and/or factual matters. Michele M. Mangold still seeks a hearing regarding the liability of the marital community and her liability with regard to any Division allegations, each of which she unequivocally denies. Accordingly, counsel for the Division and Respondents (also referred to as "the Parties") stipulate to the following facts, provided however that Respondents admit to the following facts on for purposes of this proceeding and any other administrative proceeding before the Commission or any other state agency:

1. Robert W. Mangold ("MANGOLD") is an individual residing in Maricopa Count, Arizona. MANGOLD (CRD#1300709) is currently not employed by a securities dealer and has not been a registered securities salesman since January 2005.

2. One Source Mortgage & Investments, Inc., ("OSMI") is a corporation incorporated in Arizona with its principal place of business in Scottsdale, Arizona.

3. Strategic Equity Investments, LLC ("SEI") is a limited liability company formed in Arizona with a principal place of business in Scottsdale, Arizona.

4. MANGOLD is the Chief Executive Officer and Director of OSMI and is the sole member of SEI.

5. MANGOLD has been a resident of the state of Arizona since at least 2005.

6. At all relevant times, Michelle Mangold ("M. MANGOLD") was the spouse of Respondent MANGOLD.

7. At all relevant times, Respondent MANGOLD was acting for his own benefit and for the benefit of OSMI and SEI for which he was the only member.

8. ~~At all relevant times, Respondent MANGOLD was acting for his own benefit and for the benefit or in furtherance of the marital community~~. RM

9. MANGOLD, individually or through his entities OSMI or SEI, owned and operated the following websites: http://www.profitfromyourmortgage.com; http://www.foreclosuresinyourIRA.com; http://buyforeclosuredeals.net; and http://www.strategicequityinvestments.com.

10. MANGOLD, through his respective websites and/or personal solicitations, disclosed to Potential Arizona Investors ("PAI") and/or investors that he had been in the mortgage lending and/or real estate business for over 15 years, had authored various real estate investing books, and/or had a method to assist individuals to become cash millionaires within ten (10) years.

11. MANGOLD, individually or through his entities OSMI and SEI, offered multiple options for investment, mainly centered on investing home equity or cash to purchase real estate foreclosure property and the underlying mortgage note. MANGOLD stated he had strategic partnerships that allowed him to purchase discounted foreclosure properties and notes in bulk. The real estate foreclosure properties would be rehabilitated to be rented or resold. The underlying mortgage notes would be serviced to obtain interest payments due and/or the notes resold for a profit.

12. From at least July 2006 to December 2007, MANGOLD, individually or through his entities OSMI and SEI, offered and/or sold the various investment opportunities, within or from Arizona, through personal or website solicitations. The various investment opportunities offered and/or sold were (A) OSMI profit sharing arrangements projecting 14% or greater returns; (B) SEI membership interests in an LLC, which each would derive returns based on the real estate

foreclosure property transactions; (C) OSMI notes; and (D) SEI notes. The Respondents raised a total sum of at least $4,965,982.00 from investors.

**A. OSMI PROFIT SHARING AGREEMENT**

13. From July 2006 to August 2006, MANGOLD, on behalf of OSMI, sold investment contracts to at least five (5) investors, within or from Arizona, for a total of $500,000.00.

14. OSMI solicited investors residing in Arizona through websites and at seminars where MANGOLD was the presenter.

15. On or about July 2006, an Arizona investor visited the website www.profitfromyourmortgage.com and thereafter contacted MANGOLD.

16. MANGOLD is the registrant and administrative contact for the website http://www.profitfromyourmortgage.com.

17. A subsequent meeting in Arizona occurred between MANGOLD, acting individually or on behalf of OSMI, and the investor. During the meeting, MANGOLD discussed and described the investment opportunity.

18. MANGOLD stated that he had an inside track with banks because of the large volume of business he did with them and thus he was able to purchase foreclosed real estate assets ("REOs") at a discount and that such opportunities were not available to the general public.

19. On or about August 1, 2006, MANGOLD sold an investment contract, within or from Arizona. The agreement (titled as a "Profit Sharing Agreement" on the document provided by MANGOLD) was executed by OSMI and the investor. The agreement was signed by MANGOLD, on behalf of OSMI, as its president and CEO.

20. Under the terms of the Profit Sharing Agreement, the investor agreed to invest money that would be used to purchase nonperforming mortgage notes of REOs for a total of $100,000. MANGOLD represented that the REOs were discounted for sale as their total unpaid principal balance was far greater than their sale price.

21. Under the terms of the Profit Sharing Agreement, OSMI and the investor agreed to the following:

a) OSMI would service the notes, collect the monthly loan payments due, and/or resell the pool of REO notes for a profit;

b) OSMI would be paid a monthly servicing fee for each property serviced and would continue to provide such service until all of the properties were sold. The investor could not terminate the servicing arrangement unless mutually agreed to by OSMI;

c) The investor would execute a durable and irrevocable power of attorney to OSMI to authorize OSMI to sign on the investor's behalf with regards to all expenditures and transactions related to the pool of REO notes;

d) The investor would "not subordinate these assets or sell these assets to any party other than at OSMI's direction";

e) OSMI would provide to the investor a monthly accounting of any payments due to the investor and the profit distribution would be provided to the investor the following month after each property was sold;

f) OSMI would not subordinate the assets to any other party; and

g) The investor and OSMI would each receive 50% of the net profits.

22. MANGOLD selected and/or obtained the REOs without any investor input or oversight. As part of the Profit Sharing Agreement, an attachment titled "Schedule A" was included that listed the address location, city, state, unpaid principal balance, and sale price of each REO property and related mortgage note that the investor's monies would be used to purchase. Some REOs were obtained through the purchase of tax lien, tax deed sale or from Mortgage Assistance Corporation, a Texas corporation that held title to certain REO properties.

23. MANGOLD also represented to the investor that a "deed" for each property would secure the investment, that each deed would be executed and ownership would be titled in the investor's name. ~~and/or that there was "no risk" since each deed would be in the investor's name.~~ RM

The properties were detailed in the Schedule A submitted to the investor; however, no deeds of any type were executed in the investor's name in connection with all (if even any) of the properties listed in the Schedule A.

24. The investor was not told that another investor had also been given title and/or ownership interest in the same property. In at least one instance, multiple investors were provided a divided ownership interest in the same underlying property securing the investment when they were provided a Schedule A allegedly represented the properties that would be placed in "deed" in the investor's name, securing an undivided interest in the property, and securing the investment. MANGOLD provided the same property to a separate investor as security for his investment.

25. In at least one instance, MANGOLD provided the investor with a report that detailed or updated the status of the underlying properties. This report stated that certain properties listed in the investor's Schedule A had been sold for a profit. Yet, the investor has not received any share of the profits made.

26. MANGOLD failed to disclose to investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes. In at least one instance, MANGOLD stated that there was no risk at all because the investor would be secured.

27. MANGOLD represented to the investor that the term of the Profit Sharing Agreement would be 12 to 18 months; however, the investor did not receive any payment in accordance with MANGOLD's representation or the terms of the Profit Sharing Agreement.

28. At least five (5) investors executed a profit sharing agreement with the same material terms and characteristics as described above.

29. The investment contracts are not registered with the Commission.

30. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a registered salesman with the Commission.

## B. SEI MEMBERSHIP INTERESTS IN AN LLC

31. From on or about July 2006 to August 2007, MANGOLD, on behalf of SEI, offered and sold investment contracts, within or from Arizona for a total of at least $2,175,482.00.

32. Investors were offered membership interests into certain Texas limited liability companies (LLC) in which SEI was a member and manager. Each investor was made a member of the LLC, was given limited powers, and profits were to be paid out to investors proportionate to their percentage of contribution. At least four (4) such LLCs were established and interests were sold to at least 11 investors.

33. The LLC would pool the investor money to purchase nonperforming mortgage notes of REOs.

34. Concurrent with the LLC operating agreement, a Servicing Agreement was included as an attachment, which stated that the LLC was engaging SEI to service all the REOs purchased by the LLC.

35. MANGOLD applied his experience and expertise in selecting and choosing which REOs to acquire. In some instances, these assets were already chosen by MANGOLD prior to the investor's investment and participation as an LLC member, as evidenced by an "Exhibit B Asset List" included with the LLC operating agreement that listed a series of REO properties that purportedly secured the investments made by the LLC.

36. An LLC operating agreement was provided to investors that detailed the rights of the parties. The LLC operating agreement contained the following:

a) Management of the LLC is vested in the Manager;

b) SEI is the Manager;

c) As Manager, SEI has the authority to:

1. Enter into and execute all agreements, contracts, and related documents to run the business;

2. Carry out the business of the LLC;

3. Enter into insurance contracts for the LLC;

4. Employ people and set such compensation; and

5. "To sell assets to another investor as well as maintain servicing and/or obtain other incentives as deemed in the best interest of the company."

d) The Members were given limited powers, such as modifying or amending the operating agreement and Servicing Agreement; however, such actions required unanimous consent of all members and thus SEI, as a member, could block or reject such attempts.

37. The LLC operating agreement was signed by MANGOLD, on behalf of SEI, as its president. SEI is also listed as "Member and Manager" on the signature page.

38. Furthermore, pursuant to the Servicing Agreement, the investors relied on SEI to, among other things:

a) Manage, operate, control, rent and lease the REOs;

b) Contract or make all necessary repairs;

c) Collect all payments due;

d) Inspect the properties and evict tenants as needed; and

e) Provide periodic reporting.

39. The "Exhibit B Asset List" generally provided the address, city, state, valuation and unpaid principal balance of the underlying REO properties.

40. All the REO properties are located outside the state of Arizona. In at least one instance, the investors are located in Arizona and California and the 28 REO properties are all located in various cities in Michigan.

41. SEI did not provide documentation to investors that evidenced the investors' beneficial title and/or perfected security interests in the REO properties.

42. MANGOLD, individually or on behalf of SEI, described the investment as safe; however, MANGOLD and SEI failed to disclose to investors that they could lose all or a

substantial amount of their investments since the debt instruments held by the LLC, in which the investors had an ownership interest, were not secured or that the security interest was not perfected.

43. The investment contracts are not registered with the Commission.

44. At all times relevant, SEI was not a registered dealer and MANGOLD was not a registered salesman with the Commission.

## C. OSMI NOTES

45. From at least August 4, 2006 to December 14, 2006, MANGOLD, on behalf of OSMI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from Arizona.

46. The OSMI notes stated an annual rate of return of twelve percent (12%) and were sold to at least seven (7) investors for a total of $471,500.00.

47. MANGOLD, on behalf of OSMI, represented that the OSMI note repayments would be derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the safety of the purchase of the note since it would be secured by real property that would be detailed in a security agreement.

48. The note agreement contained, among other things, the following:

a) OSMI is the Borrower of the note and would pay interest at the stated rate of return;

b) The investor is the Lender of the note;

c) The term of the note is two (2) or three (3) years; and

d) A term that stated, "Security of Payment: A security interest in Instruments as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

49. MANGOLD signed the documents as president and CEO of OSMI.

50. The "Exhibit A" (sometimes titled "Schedule A") is a document that listed, in general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying REO properties.

51. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of OSMI, executed a document titled "Security Agreement," which among other things, contained the following:

a) OSMI is the Debtor;

b) Investor is the Secured Party on the REOs contained in Exhibit A;

c) The amount secured, as listed in the Exhibit A, is equal to or greater than the note amount;

d) "Debtor owns the Collateral and has the authority to grant this security interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for taxes not yet due";

e) Debtor would, "[s]ign and deliver to Secured Party any documents or instruments that Secured Party considers necessary to obtain, maintain, and perfect this security interest in the Collateral";

f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without paying off the [investor's] underlying Note within 30 days"; and

g) "[...], the Debtor is not allowed to substitute collateral without first obtaining written permission from the Secured Party."

52. However, OSMI did not always have ownership and/or a perfected security interest in the underlying REO property at the time of executing the Security Agreement with the investor and thus could not provide ownership and/or perfected security interest to the investors.

53. To date, the investors have not received any documents evidencing their ownership and/or security interest in the underlying properties.

54. The investor was not told that another investor had also been given title and/or ownership interest in the same property. In at least one instance, MANGOLD on behalf of OSMI, provided multiple investors a divided interest in the same REO property securing the investment

when he provided an investor a security agreement and "Exhibit A" that contained a property that was provided to another separate investor also securing the other investor's investment.

55. MANGOLD failed to disclose to investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes.

56. The notes are not registered with the Commission.

57. At all times relevant, OSMI was not a registered dealer and MANGOLD was not a registered salesman with the Commission.

**D. SEI NOTES**

58. From at least January 2, 2007 to December 10, 2007, MANGOLD, on behalf of SEI, offered or sold notes (titled as "Promissory Note" on the documentation), within or from Arizona.

59. The SEI notes, with a promised annual rate of return of twelve percent (12%) or fourteen percent (14%), were sold to at least twenty (20) investors for a total of at least $1,819,000.00, within or from Arizona.

60. MANGOLD, on behalf of SEI, represented that the SEI note repayments would be derived from the purchase, servicing, and/or resell of REOs. In addition, MANGOLD discussed the safety of the purchase of the note since it would be secured by real property that would be detailed in a security agreement.

61. The note agreement contained, among other things, the following:

a) SEI is the Borrower of the note and would pay interest at the stated rate of return;

b) The investor is the Lender of the note;

c) The term of the note is two (2) or three (3) years; and

d) "Security of Payment: A security interest in Instruments as per Security Agreement of even dates herewith between the parties hereto as in Exhibit A."

62. MANGOLD signed the documents as president and CEO of SEI.

63. The "Exhibit A" (sometimes also titled "Schedule A") is a document that listed, in general, the address, city, state, unpaid principal balance, and a valuation of each of the underlying REO properties.

64. Concurrent with the note or shortly thereafter, MANGOLD, on behalf of SEI, executed a document titled "Security Agreement," which among other things, contained the following:

a) SEI is the Debtor;

b) Investor is the Secured Party on the REOs contained in Exhibit A;

c) The amount secured, as listed in the Exhibit A, is greater than or equal to the note amount;

d) "Debtor owns the Collateral and has the authority to grant this security interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for taxes not yet due";

e) Debtor would, "[s]ign and deliver to Secured Party any documents or instruments that Secured Party considers necessary to obtain, maintain, and perfect this security interest in the Collateral";

f) Debtor would not "[s]ell, transfer, or encumber any of the Collateral without paying off the [investor's] underlying Promissory Note within 30 days"; and

g) "[...], the Debtor is not allowed to substitute collateral without first obtaining written permission from the Secured Party."

65. However, SEI did not always have ownership and/or a perfected security interest in the underlying same REO property at the time of executing the Security Agreement with the investor and thus could not provide ownership and/or perfected security interest to the investors.

66. To date, the investors have not received any documents evidencing their ownership and/or security interest in the underlying properties.

67. The investor was not told that another investor had also been given title and/or ownership interest in the same property. In at least one instance, MANGOLD on behalf of SEI, provided multiple investors a divided interest in the same REO property securing the investment when he provided an investor a security agreement and "Exhibit A" that contained a property that was provided to another separate investor also securing the other investor's investment.

68. MANGOLD failed to disclose to investors that they could lose all or a substantial amount of their investments since their security interests were not perfected, were subordinate in priority, or that real estate valuations could depreciate below the purchase price of the notes.

69. The notes are not registered with the Commission.

70. At all times relevant, SEI was not a registered dealer and MANGOLD was not a registered salesman with the Commission.

71. The amount of Restitution and interest currently outstanding to investors on record with the Division is $6,224,453.

Robert W. Mangold

STATE OF ARIZONA )
) ss
County of Maricopa )

SUBSCRIBED AND SWORN TO BEFORE me this 22 day of January, 2010.

Paula Kennemer
NOTARY PUBLIC

My commission expires:

10-17-10

PAULA KENNEMER
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Commission Expires
October 17, 2010

**One Source Mortgage & Investments, Inc.,**

By Robert W. Mangold

Its Director and CEO

STATE OF ARIZONA )
) ss
County of Maricopa )

SUBSCRIBED AND SWORN TO BEFORE me this 22 day of January, ~~2009~~ 2010.

Paula Kennemer
NOTARY PUBLIC

My commission expires:

10-17-10

PAULA KENNEMER
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Commission Expires
October 17, 2010

**Strategic Equity Investments, LLC**

By Robert W. Mangold

Its Managing Member

STATE OF ARIZONA )
) ss
County of Maricopa )

SUBSCRIBED AND SWORN TO BEFORE me this 22 day of January, ~~2009~~ 2010.

Paula Kennemer
NOTARY PUBLIC

My commission expires:

10-17-10

PAULA KENNEMER
NOTARY PUBLIC - ARIZONA
MARICOPA COUNTY
My Commission Expires
October 17, 2010

By: _____

Phong (Paul) Huynh
Attorney for the Securities Division of
the Arizona Corporation Commission