

1 **STATE OF WASHINGTON**  
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**  
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING  
5 whether there has been a violation  
6 of the Securities Act of Washington by:

7 Malibu Development Corporation;  
8 The Meridian on Bainbridge Island, LLC;  
9 CMHCEH, L.L.C.; John M. Erickson;  
10 Bruce McCurdy; Christopher M. Heins;  
11 Michael B. Reetz,

12 Respondents.

Order Number S-06-065-07-TO01

**SUMMARY ORDER TO CEASE AND  
DESIST AND NOTICE OF INTENT TO  
IMPOSE FINES AND CHARGE COSTS**

13 THE STATE OF WASHINGTON TO:

14 Malibu Development Corporation  
15 The Meridian on Bainbridge Island, LLC  
16 CMHCEH, L.L.C.  
17 John M. Erickson  
18 Bruce McCurdy  
19 Christopher M. Heins  
20 Michael B. Reetz

21 **STATEMENT OF CHARGES**

22 Please take notice that the Securities Administrator of the State of Washington has reason to believe  
23 that the Respondents, Malibu Development Corporation; The Meridian on Bainbridge Island, LLC;  
24 CMHCEH, L.L.C.; John M. Erickson; Bruce McCurdy; Christopher M. Heins; and Michael B. Reetz,  
have violated the Securities Act of Washington. The Securities Administrator believes those violations  
justify the entry of an order of the Securities Administrator against the Respondents to cease and desist from  
such violations pursuant to RCW 21.20.390. The Securities Administrator believes these are grounds for  
imposing fines pursuant to RCW 21.20.395, and charging costs pursuant to RCW 21.20.390(5). The  
Securities Administrator finds that delay in ordering the Respondents, Malibu Development Corporation;

SUMMARY ORDER TO CEASE AND  
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1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
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1 The Meridian on Bainbridge Island, LLC; CMHCEH, L.L.C.; John M. Erickson; Bruce McCurdy;  
2 Christopher M. Heins; and Michael B. Reetz to cease and desist from such violations would be hazardous  
3 to investors and to the public and that a Summary Order to Cease and Desist should be entered immediately.

4 The Securities Administrator finds as follows:

5  
6 **TENTATIVE FINDINGS OF FACT**

7 Respondents

8 1. Malibu Development Corporation (“Malibu Development”), a Washington corporation,  
9 was incorporated on July 31, 1997 and is currently conducting business at 360 Knechtel Way NE #406  
10 Bainbridge Island, WA 98110. Malibu is a construction development company that has purportedly  
11 been involved with the development, building and management of real estate for 26 years.

12 2. The Meridian on Bainbridge Island, LLC, (“Meridian”) a Washington limited liability  
13 company, was formed on October 15, 1998 and is currently conducting business at 360 Knechtel Way  
14 NE #406 Bainbridge Island, WA 98110. The Meridian is a luxury condominium and commercial use  
15 construction development project on Bainbridge Island. Malibu Development is the managing  
16 member of Meridian.

17 3. John M. Erickson (“Erickson”) is a resident of Poulsbo, Washington. Erickson is the  
18 President of Malibu Development, which is the managing member of Meridian.

19 4. Bruce McCurdy (“McCurdy”) is a resident of Poulsbo, Washington. McCurdy is the  
20 founder and CEO of Malibu Development, which is the managing member of the Meridian.



1 Nature of the Offering

2 *Introduction*

3 13. Heins has offered and sold investments in various construction projects to Washington  
4 residents from at least 2003 to present. These investments include those in Malibu, Meridian, CMHCEH,  
5 and with himself personally. The terms of the investments are similar and were usually memorialized in  
6 the form of a promissory note with a guaranteed interest rate and one year term. Investors are told that  
7 their investment is secure because their interest is recorded on the deed of trust.

8 14. Between April 2003 and to present, Heins, Reetz, Erickson and McCurdy offered and sold  
9 investments in Malibu Development and Meridian to at least 57 investors. The majority of the  
10 investors are Washington residents. Some of the investors are not accredited or sophisticated. The  
11 investments were in the form of a promissory note with a one year term and were represented to have a  
12 guaranteed interest rate to be paid monthly or at the end of the term; however, the investors were not  
13 told who guaranteed the interest. The investments were purportedly secured by an interest in the  
14 property. Purchasers were told that they would be in first position on a deed of trust and that the deed  
15 would be recorded. The investment amounts ranged from \$1,200 to \$200,000. The investments total  
16 at least \$2,800,000.

17 15. In addition, from 2006 to present, Heins offered and sold investments in CMHCEH and  
18 with him personally to at least 4 investors. Some of the investors are not accredited or sophisticated.  
19 The investments were in the form of a promissory note with a one year term and were represented to  
20 have guaranteed interest rate to be paid at the end of the term; however, the investors were not told  
21 who guaranteed the interest. The investments were purportedly secured by an interest in the property.  
22 Purchasers were told that they would be in first position or second position on the deed of trust and the

1 deed would be recorded. The investment amounts ranged from \$10,000 to \$100,000. The investments  
2 made total at least \$270,000.

3 *Malibu Development Corporation and The Meridian on Bainbridge, LLC*

4 16. In July of 2003, Malibu obtained a \$4.5 million construction loan to build a luxury  
5 condominium project on Bainbridge Island from a local credit union. The loan was secured by the  
6 entire land parcel owned by Meridian for the future Meridian condominium development on  
7 Bainbridge, including the future condominium development itself. The loan amount represented  
8 approximately 75% of the value of the entire project once completed. The credit union took first  
9 position on the deed of trust on the entire property. Prior to obtaining the funding from the credit  
10 union, Malibu had received \$1.5 million from a private lender who initially held a deed of trust  
11 representing a first position lien on the property. The lender agreed to subordinate his lien to that of  
12 the credit union. In addition, shortly after obtaining the construction loan, Malibu secured a one  
13 million dollar line of credit with another private lender who took a junior position behind the credit  
14 union and the first private lender.

15 17. On July 23, 2004, Heins entered into a "Finder's Agreement" with Malibu. The Finders  
16 Agreement stated: "If one or more potential Investor(s) invest in the Company or provide a financial  
17 guarantee for the Company, then the finder shall be entitled to a fee. The Fee shall be based on a  
18 percentage of the aggregate investment or financial guarantee made by all such Investor(s) in the  
19 Company to be paid in cash to the Finders under the following schedule: 15.0% of all amounts."  
20 Initially the agreement specified that the investors had to be accredited; however, Malibu later waived  
21 that requirement with an addendum. Erickson and McCurdy signed both the agreement and the later  
22 addendum on behalf of Malibu.

1 18. From at least 2003 to present, there has been sign posted outside of Heins' Preferred  
2 Benefit Services office. The sign states "EARN 8% APR 12 Month Maturity Fully Secured" and listed  
3 a telephone number to call which connected the caller to Heins. There are several identical signs  
4 posted in and around Port Angeles, including one on State Route 101. There was an identical sign  
5 outside the insurance office of Reetz that has been removed within the past year.

6 19. Beginning July 2004 at least twenty-four Washington residents contacted Heins about  
7 the sign advising the investment opportunity outside of his office.

8 20. Beginning March 2005 at least four Washington residents contacted Reetz about the  
9 sign outside of his office advising the investment opportunity. Reetz put them in contact with Heins  
10 by either setting up meetings at his office in Port Angeles with the residents and Heins or setting up  
11 appointments with Heins in the residents' homes. Reetz told at least two of the residents that Heins  
12 paid him \$100 for every referral that he made to Heins.

13 21. During meetings with Heins, the residents were offered different interest rates based on  
14 different investment amounts. Heins offered an 8% interest rate on an investment of \$20,000 to  
15 \$50,000, a 10% interest rate on an investment of \$50,000 to \$100,000, and a 12% interest rate on any  
16 investment amount greater than \$100,000. Heins told potential investors that the interest rates were  
17 guaranteed but he did not explain what that meant or who was guaranteeing the interest. All of the  
18 investments were in the form of promissory note with a one year term.

19 22. Heins had a number of different projects available to choose from for potential  
20 investors. One of those projects was the Meridian on Bainbridge, a project run by Malibu  
21 Development Group. Heins said that Malibu had been around for years and had been successful with  
22 other similar projects on Bainbridge. Heins provided the residents with real estate advertising

1 materials about the project. Heins did not disclose the value of the property or any of the units but did  
2 show potential investors a list of other investors' addresses and investment amounts (but not their  
3 names).

4 23. Heins also told the potential investors that the investment was fully secured because all  
5 of the investors would be in first position on the deed of trust and title. Heins told the investors that he  
6 personally had control of the deed of trust and the investment would be secured because he would  
7 record the investor's interest and send them a copy of the recorded deed. The investors were not sure  
8 how the priority among the individual investors was going to work, but were told that the group as  
9 whole would be in first position.

10 24. Both Erickson and McCurdy signed the Promissory Notes and the Deeds of Trust on  
11 behalf of Malibu, as the managing member of Meridian.

12 25. At least twenty-eight investors invested a total of at least \$1,258,000 into unit 101. Unit  
13 101 is an open commercial space on the first floor of the building without any walls.

14 26. At least thirty-three investors invested a total of at least \$1,598,000 into units  
15 401,402,405 and 406. Three of these units are owned by the Meridian Homeowner's Association  
16 (HOA) and are part of the limited common area and include an exercise room and two guest suites for  
17 guests of the HOA.

18 27. Although Heins told investors that their interests would be recorded and they would  
19 receive a copy of the recorded deed of trust, many of the interests were not recorded until months after  
20 the investment was made, and the investors were not provided with a copy of the recorded deed of  
21 trust.





1 a secured interest in the property. He did not explain who guaranteed the interest rate. The investment  
2 was a promissory note with a one year term.

3 32. At least two investors made investments into at least two different properties owned by  
4 Heins. One property was located in Sequim, Washington. The investments were both in the amount  
5 of \$50,000. With both of the properties, Heins did not disclose when the projects would be completed,  
6 the value of the properties, how many other investors were involved, or what position the investors  
7 would be on the deed of trust. He also did not discuss his experience in the real estate business or his  
8 rate of success.

9 33. As early as March 2006 and to present, Heins approached investors who had previously  
10 invested in Malibu and/or with Heins personally with another investment opportunity, this time in a  
11 company Heins formed named CMHCEH, LLC. Heins told potential investors the company  
12 composed of him, his wife, and his son-in-law. He explained CMHCEH borrowed money from  
13 investors to purchase and renovate real estate projects. He offered the investors a guaranteed 10% to  
14 12% interest rate on the investments when the project was completed plus a secured interest in the  
15 property. The investment was a promissory note with a one year term.

16 34. At least four investors made investments into at least two different CMHCEH  
17 properties. One property was located in Kingston, Washington and the other was located in Indianola,  
18 Washington. The investment amounts ranged from \$10,000 to \$100,000. With both of the properties,  
19 Heins did not disclose when the projects would be completed, the value of the properties, how many  
20 other investors were involved, or what position the investors would be on the deed of trust. He also  
21 did not discuss his experience in the real estate business or his rate of success.



1 outstanding debt owed on the property, the number of other investors involved with the project  
2 including amounts invested, how much money was being raised to fund the project, how much money  
3 was necessary to complete the project, and what the limit on total investment amounts was.

4 40. CMHCEH failed to provide material information regarding the company including, but  
5 not limited to: financial statements; use of proceeds; general risk factors related to construction  
6 projects; business background of Heins; and operational history of CMHCEH.

7  
8 Registration Status

9 41. Malibu Development Corporation is currently not registered to sell its securities in the  
10 State of Washington and has not previously been so registered.

11 42. Malibu Development Corporation is currently not registered as a broker-dealer in the  
12 State of Washington and has not previously been so registered.

13 43. The Meridian on Bainbridge, LLC is currently not registered to sell its securities in the  
14 State of Washington and has not previously been so registered.

15 44. CMHCEH, L.L.C. is currently not registered to sell its securities in the State of  
16 Washington and has not previously been so registered.

17 45. Heins is currently not registered to sell his securities in the State of Washington and has  
18 not previously been so registered.

19 46. Erickson is not currently registered as a securities salesperson or broker-dealer in the  
20 State of Washington and has not previously been so registered.

21 47. McCurdy is not currently registered as a securities salesperson or broker-dealer in the  
22 State of Washington and has not previously been so registered.



1 8. Michael B. Reetz violated RCW 21.20.140, by offering and selling unregistered  
2 securities.

3 9. Michael B. Reetz violated RCW 21.20.040, by offering and selling said securities while  
4 not registered as a securities salesperson or broker-dealer in the State of Washington.

5 10. Malibu Development Corporation violated 21.20.140 by offering and selling unregistered  
6 securities.

7 11. Malibu Development Corporation violated RCW 21.20.040, by offering and selling said  
8 securities while not registered as a broker-dealer in the State of Washington.

9 12. The Meridian on Bainbridge, LLC violated 21.20.140 by offering and selling  
10 unregistered securities.

11 13. CMHCEH, L.L.C. violated 21.20.140 by offering and selling unregistered securities.

12 14. The offer and/or sale of the Malibu Development Corporation; The Meridian on  
13 Bainbridge, LLC; and CMHCEH, L.L.C. securities by Respondents were made in violation of RCW  
14 21.20.010 because, as set forth in the Findings of Fact, Respondents made misstatements of material  
15 fact or omitted to state material facts necessary in order to make the statements made, in light of  
16 circumstances under which they were made, not misleading.

17  
18 **EMERGENCY**

19 The Securities Administrator finds that an emergency exists, that continued violations of RCW  
20 21.20.040, RCW 21.20.140, and RCW 21.20.010 constitute a threat to the investing public, and that a  
21 summary order to cease and desist from those violations is in the public interest and necessary for the  
22 protection of the investing public.

1  
2  
3 **SUMMARY ORDER**

4 Based on the foregoing:

5 NOW, THEREFORE, IT IS SUMMARILY ORDERED that Respondents, Malibu Development  
6 Corporation; The Meridian on Bainbridge Island, LLC; CMHCEH, L.L.C.; John M. Erickson; Bruce  
7 McCurdy; Christopher M. Heins; and Michael B. Reetz, and their agents and employees, shall each  
8 cease and desist from violations of RCW 21.20.140.

9 IT IS FURTHER SUMMARILY ORDERED that Respondents, Malibu Development Corporation;  
10 The Meridian on Bainbridge Island, LLC; CMHCEH, L.L.C.; John M. Erickson; Bruce McCurdy;  
11 Christopher M. Heins; and Michael B. Reetz, and their agents and employees, shall each cease and desist  
12 from violations of RCW 21.20.010.

13 IT IS FURTHER SUMMARILY ORDERED that Respondents, Malibu Development Corporation;  
14 CMHCEH, L.L.C.; John M. Erickson; Bruce McCurdy; Christopher M. Heins; and Michael B. Reetz,  
15 and their agents and employees, shall each cease and desist from violations of RCW 21.20.040.

16  
17 **NOTICE OF INTENT TO IMPOSE FINES**

18 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of  
19 Law, the Securities Administrator intends to order that:

- 20 a. Respondents, Malibu Development Corporation and The Meridian on Bainbridge  
21 Island, LLC shall be jointly and severally liable for and pay a fine of a least \$50,000;
- 22 b. Respondent CMHCEH, L.L.C. shall be liable for and pay a fine of at least \$10,000;

- c. Respondent John M. Erickson shall be liable for and pay a fine of at least \$10,000;
- d. Respondent Bruce McCurdy shall be liable for and pay a fine of at least \$10,000;
- e. Respondent Christopher M. Heins shall be liable for and pay a fine of at least \$10,000;
- f. Respondent Michael B. Reetz shall be liable for and pay a fine of at least \$10,000.

**NOTICE OF INTENT TO CHARGE COSTS**

Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that the Respondents, Malibu Development Corporation; The Meridian on Bainbridge Island, LLC; CMHCEH, L.L.C.; John M. Erickson; Bruce McCurdy; Christopher M. Heins; and Michael B. Reetz, shall be liable for and pay the Securities Division the costs, fees and other expenses incurred in the conduct of the administrative investigation and hearing of this matter.

**AUTHORITY AND PROCEDURE**

This SUMMARY ORDER TO CEASE AND DESIST, NOTICE OF INTENT TO IMPOSE FINES, AND CHARGE COSTS is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395 and is subject to the provisions of Chapter 34.05 RCW. Each Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order.

If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent order against that

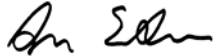
1 Respondent to cease and desist from violations of the Securities Act, and enter an order imposing the fine  
2 and charging costs, as described above.

3 DATED AND ENTERED this day 8th of June, 2007.  
4

5 

6 MICHAEL E. STEVENSON  
7 Securities Administrator

8 Approved by:

9 

10 Suzanne Sarason  
11 Chief of Compliance & Examinations

Presented by:

12 

13 Angela R. Vogel  
14 Enforcement Attorney