

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 National Strategic Investment Corporation;
8 Real Investor Mortgage, Inc.; Starlie, LLC;
9 Charles W. Williams; Steven M. Hetteema,

10 Respondents.

Order Number S-07-294-10-SC01

11 **STATEMENT OF CHARGES AND**
12 **NOTICE OF INTENT TO ISSUE AN**
13 **ORDER TO CEASE AND DESIST,**
14 **IMPOSE FINES, AND RECOVER COSTS**

15 THE STATE OF WASHINGTON TO:

16 National Strategic Investment Corporation
17 Real Investor Mortgage, Inc.
18 Starlie, LLC
19 Charles W. Williams
20 Steven M. Hetteema

21 **STATEMENT OF CHARGES**

22 Please take notice that the Securities Administrator of the State of Washington has reason to
23 believe that the Respondents National Strategic Investment Corporation; Real Investor Mortgage, Inc.;
24 Starlie, LLC; Charles W. Williams; and Steven M. Hetteema have violated the Securities Act of
Washington and that the violations justify the entry of an order of the Securities Administrator under
RCW 21.20.390 to cease and desist from such violations, and to impose fines and recover costs. The
Securities Administrator finds as follows:

1 **TENTATIVE FINDINGS OF FACT**

2 Respondents

3 1. National Strategic Investment Corporation (“NSIC”) was established in Washington on
4 June 27, 2005. NSIC maintained a principal place of business at 1616 SE Ellis Court, Port Orchard,
5 Washington. NSIC was administratively dissolved on October 1, 2009 for failure to file an annual list
6 of officers and renew its license.

7 2. Real Investor Mortgage, Inc. (“RIM”) was a Washington corporation that was established
8 on December 19, 2005. RIM maintained a principal place of business at 1616 SE Ellis Court, Port
9 Orchard, Washington. RIM closed in December 2007, and was dissolved on April 1, 2008.

10 3. Starlie, LLC (“Starlie”) was a limited liability company that was established in
11 Washington on July 25, 2006. Starlie was dissolved on November 2, 2009.

12 4. Steven M. Hettema (“Hettema”) resides in Port Orchard, Washington. Hettema is a
13 founder of NSIC, RIM, and Starlie. Hettema served as the President of NSIC, the Vice President of
14 RIM, and as an Executor of Starlie.

15 5. Charles W. Williams (“Williams”) resides in Olalla, Washington. Williams is a founder
16 of NSIC, RIM, and Starlie. Williams served as the President of RIM, and the Vice President of NSIC
17 from the company’s inception until December 2007. Williams was also an Executor of Starlie.
18 Williams was registered with the Washington State Securities Division as a securities salesperson from
19 May 1993 to September 1995, while with PFS Investments Inc. Williams was licensed with the
20 Washington State Office of the Insurance Commissioner from November 2008 to June 2010.

21
22 Nature of the Conduct

1 *Introduction*

2 6. In June 2005, Respondents Hetteema and Williams founded NSIC, a company that hosted
3 various educational courses regarding investment alternatives, with a focus on real estate investing.
4 NSIC also managed and provided products and services to an investor community known as the
5 National Strategic Investor Group. The National Strategic Investor Group grew to include investor
6 clubs located in Washington, Oregon, California, and Hawaii. Investor club members met
7 approximately once a month to primarily study real estate; members also took trips together to view
8 real estate in certain markets across the country.

9 7. The first investor club was located in Port Orchard, Washington. Many Washington
10 residents residing near Port Orchard enrolled in the educational courses presented by NSIC and
11 subsequently were invited to join the local investor club. This investor club was located in close
12 proximity to RIM, which provided its mortgage lending services to club members. In addition to
13 investing in real estate, several members of the Port Orchard investor club were solicited by
14 Respondents Williams and/or Hetteema for investments in the purchase and remodel of the NSIC
15 Financial Center, and for investments in the form of promissory notes and promissory notes
16 convertible to stock issued by NSIC and RIM.

17 *Sale of Investments in the Purchase and Remodel of the NSIC Financial Center*

18 8. Respondents Williams and Hetteema wanted to purchase and remodel a commercial
19 property, later named the “NSIC Financial Center,” to house the offices of NSIC, RIM, and a small
20 number of affiliated companies. In order to raise capital for this purpose, the Respondents decided to
21 offer an investment in the purchase and remodel of the NSIC Financial Center, effected through
22

1 investments in NSIG Investors LLC (“NSIG Investors”), which then received a promissory note from
2 Starlie.

3 9. Respondent Williams presented financing the purchase and remodel of the NSIC
4 Financial Center as an investment opportunity to members of the Port Orchard investor club. The
5 opportunity was presented at at least one investor club meeting and also to at least one club member
6 privately. Respondent Williams also presented this opportunity to a small number of family and
7 friends.

8 10. Potential investors were told that \$680,000 was needed to purchase the property and
9 \$170,000 to finish converting the building into offices. Potential investors were told that the
10 promissory note would be secured by a deed of trust, and that Respondents Hettema and Williams
11 would seek to refinance the property in a year. Potential investors were told they would make 6%
12 interest monthly, plus 20% interest if the property was refinanced in a year.

13 11. Twenty-eight individuals, including investor club members and a small number of
14 Williams’ family and friends, decided to invest. NSIG Investors was formed with Hettema, Williams,
15 and the 28 investors as members. The members together invested \$850,000; Hettema and Williams
16 contributed \$116,500 of this amount. NSIG Investors received a promissory note in the amount of
17 \$850,000 from Starlie, an entity created by Respondents Williams and Hettema that would use investor
18 funds to purchase and remodel the building.

19 12. Respondents Hettema and Williams, as authorized agents of Starlie, signed the
20 promissory note on approximately August 23, 2006. According to the promissory note, \$12,750 would
21 be paid quarterly to NSIG Investors. If the Respondents were able to refinance the property at the end
22 of the first year, Respondents would pay the note in full with an annualized interest rate of 20%. If

1 Respondents were unable to complete the refinance at the end of the first year, NSIG Investors would
2 receive a 6% return monthly until the refinance was complete and investors were paid in full plus the
3 20% accrued interest.

4 13. The promissory note states that it is secured by a deed of trust. On approximately August
5 16, 2006, Respondents Hetteema and Williams, as authorized agents of Starlie, recorded a deed of trust
6 against the NSIC Financial Center in the amount of \$680,000. The grantee on the deed of trust was
7 NSIG Investors.

8 14. Respondents Hetteema and Williams did not refinance the NSIC Financial Center at the
9 end of the first year. Although payments were made pursuant to the note, Respondents eventually
10 defaulted. On February 26, 2009, Respondents Williams and Hetteema signed a deed in lieu of
11 foreclosure, conveying the NSIC Financial Center to NSIG Investors.

12 *Sale of NSIC and RIM promissory notes*

13 15. In the spring of 2007, it is believed that at least one Port Orchard investor club member
14 communicated to Respondents Williams and/or Hetteema that they would be interested in investing in
15 RIM and/or NSIC. In response, Respondents Williams and Hetteema created a plan for the expansion
16 of NSIC and RIM.

17 16. In order to expand the NSIC business, Respondent Hetteema needed funds to purchase
18 software, to create an internet presence, and for media productions. In order to expand the RIM
19 business, Respondent Williams wanted to establish a branch of RIM, which like the original office in
20 Port Orchard, would be near an investor club that would use its services when investing in real estate.
21 After the two RIM offices were performing well, Respondent Williams wanted to create a franchise
22 that NSIC and/or RIM could sell to existing mortgage companies nationwide. Although the specific
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plans for the franchise were not finalized, the franchise would be based on the RIM business model of locating an investor club in close proximity to a mortgage company.

3 17. Four Washington residents, all members of the Port Orchard investor club, were solicited
4 by Respondents Williams and/or Hetteema to invest in the expansion of NSIC and RIM. The four
5 residents met with Respondents Hetteema and/or Williams to discuss the investment, which was in the
6 form of either a promissory note or a promissory note convertible to stock.

7 18. Respondent Williams created disclosure documents for RIM and NSIC, which he sent to
8 the four residents via email. According to the NSIC disclosure document, it was projected that NSIC
9 and/or RIM's total revenue in 5 years, including income from selling franchises and collecting a
10 franchise fee, would be \$97.8 million dollars.

11 19. Between May and June 2007, the four residents invested a total of \$71,667 in NSIC and
12 \$71,667 in RIM. Each resident invested an equal amount in NSIC and RIM, and accepted an
13 unsecured promissory note from each company. The promissory notes either had a 6% or 8% annual
14 interest rate. The notes signed by three of the residents state that paperwork was in process with
15 Respondents' attorney to convert the notes to stock ownership.

16 20. In addition to using investor funds to expand the RIM business, the funds were also used
17 by Respondent Williams to pay salaries to at least two RIM employees. Respondent Williams also
18 used the funds to pay off a \$6,000 note between RIM and himself.

19 21. In December 2007, RIM closed due to lack of business. Respondents had not yet offered
20 or sold a franchise.

21 22. The promissory notes were never converted to stock. As of June 2009, Respondent
22 Hetteema had made two payments of \$250 each to the residents pursuant to the NSIC notes. In May
23

1 2010, Respondent Williams transferred his interest in NSIG Investors to the residents to satisfy the
2 debt owed to them by RIM.

3 Registration Status

4 23. Respondents NSIC, RIM, and Starlie were not registered to sell securities in the State of
5 Washington during the relevant period.

6 24. Respondents Steven M. Hetteema and Charles W. Williams are not currently registered as
7 securities salespersons or broker-dealers in the State of Washington and were not registered during the
8 relevant period.

9 Misrepresentations and Omissions

10 25. Respondents Williams, Hetteema, and Starlie failed to provide material information
11 regarding investing in the purchase and remodel of the NSIC Financial Center, including but not
12 limited to: the specific risks involved and that the promissory note with Starlie was not secured for the
13 full amount of \$850,000.

14 26. Respondents Williams, Hetteema, NSIC, and RIM failed to provide material information
15 regarding investing in NSIC and RIM, including but not limited to: the specific risks involved with
16 each entity's business operations, and financial statements or information about earnings or profits in
17 prior years.

18 27. Respondent Williams failed to provide a reasonable basis for the profit projections, and
19 limitations on the profit projections, that were included in the NSIC disclosure document.

20 28. Respondent Williams failed to disclose to at least one investor in the RIM business
21 expansion that investor funds would be used to pay salaries to RIM employees, and to pay off a note
22 between RIM and himself.

1 Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and
2 Conclusions of Law, the Securities Administrator intends to order that the Respondents National Strategic
3 Investment Corporation; Real Investor Mortgage, Inc.; Starlie, LLC; Charles W. Williams; and Steven
4 M. Hettema shall cease and desist from violations of RCW 21.20.040, RCW 21.20.140 and RCW
5 21.20.010.

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7 **NOTICE OF INTENT TO IMPOSE FINES**

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

- 10 1. Respondents Charles W. Williams and Steven M. Hettema shall each be liable for and pay a fine
11 of \$10,000; and
12 2. Respondents National Strategic Investment Corporation; Real Investor Mortgage, Inc.; and
13 Starlie, LLC shall each be liable for and pay a fine of \$5,000.

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16 **NOTICE OF INTENT TO CHARGE COSTS**

17 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and
18 Conclusions of Law, the Securities Administrator intends to order that the Respondents National Strategic
19 Investment Corporation; Real Investor Mortgage, Inc.; Starlie, LLC; Charles W. Williams; and Steven
20 M. Hettema shall be liable for and pay the Securities Division the costs, fees and other expenses incurred
21 in the conduct of the investigation of this matter in an amount not less than \$2,500.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW
3 21.20.395, and is subject to the provisions of RCW 21.20.440 and RCW 34.05. The Respondents may
4 make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
5 OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

6 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
7 Tentative Findings of Fact and Conclusions of Law as final, enter a final cease and desist order, and
8 impose the fines and costs sought as to the Respondent.

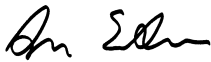
9 DATED AND ENTERED this 17th day of December, 2010.

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11 By:

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14 William M. Beatty
Securities Administrator

15 Approved by:

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19 Suzanne Sarason
Chief of Enforcement

Presented by:

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21 

22
23 Bridgett Fisher
Enforcement Attorney