

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 TSG Real Estate, LLC and Wayne Robert
8 (“Rob”) Hannah III,

9 Respondents

10 Order Number S-08-376-10-CO01

11 **CONSENT ORDER**

12 **INTRODUCTION**

13 Pursuant to the Securities Act of Washington, chapter 21.20 RCW, the Securities Division of the
14 Department of Financial Institutions (“Securities Division”) and Respondents, TSG Real Estate, LLC
15 and Wayne Robert Hannah III, do hereby enter into this CONSENT ORDER in settlement of the matters
16 alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law stated
17 below.

18 **FINDINGS OF FACT**

19 Respondents and Related Companies

20 1. TSG Real Estate, LLC (“TSG Real Estate”) is a Delaware limited liability company that was
21 formed in 2003. TSG Real Estate has its principal place of business in Chicago, Illinois. During 2006 and
22 2007, TSG Real Estate was in the business of acquiring real property for resale to investors who would
23 own the property as tenants in common. TSG Real Estate was also the sole member of TSG Capital Fund
24 I Manager, LLC, which was the managing member of TSG Capital Fund I, LLC, a company that offered
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1 and sold LLC membership investments in order to raise capital for real estate acquisitions by TSG Real
2 Estate and its affiliated companies.

3 2. During 2006 and 2007, Wayne Robert Hannah III (“Hannah”) managed and directed and was the
4 President and Chief Executive Officer of TSG Real Estate.

5 Offering of LLC Membership Interests

6 3. During 2006 and 2007, Respondents each offered and sold a total of \$13,415,000 worth of
7 limited liability company membership interests in TSG Capital Fund I, LLC (“TSG Capital”) to
8 approximately 95 investors. Within that group, from November 2006 through January 2007, Respondents
9 each offered and sold more than \$2,500,000 worth of limited liability company membership interests in
10 TSG Capital to more than twenty Washington investors. The Washington investors purchased the TSG
11 Capital membership interests from registered securities salespeople.

12 4. The TSG Capital investors did not have any control over the use of their invested funds and they
13 did not participate in the management of TSG Capital or TSG Real Estate. The investors relied upon TSG
14 Real Estate and Hannah to generate a return on their investment. Investor funds were pooled together and
15 were given to TSG Real Estate. The funds were to be used for property acquisitions by TSG Real Estate
16 and its affiliates.

17 Misrepresentations and Omissions

18 5. When offering and selling the LLC membership interests, Respondents each represented that
19 investor funds would be used to provide short-term financing, of six months or less, to purchase or
20 refinance real property. Respondents each represented that the real property that was being financed
21 would be sold to generate interest income for TSG Capital of 3% per month or 10% of the amount
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1 financed, whichever was greater. Respondents each represented that TSG Capital would have a pledge
2 against the membership interests of the limited liability company that owned each real property that was
3 being financed. Respondents each failed to disclose that the investors might not have a real property
4 interest to secure their investments. Respondents each failed to disclose the specific intended use of
5 investor funds and they each failed to identify the specific properties or projects that would be financed.

6 6. From December 2006 through February 2007, Respondents used investor funds to make
7 payments totaling more than \$3,200,000 to Group I Automotive, which were intended to be used for the
8 purchase of land and buildings that were occupied by several car dealerships. However, the payments
9 became nonrefundable after a certain amount of time. When offering and selling the membership interests
10 to investors, Respondents each failed to disclose to investors that the deposits could be forfeited if TSG
11 Capital was unable to obtain additional financing. Because TSG Capital was unable to close on the Group
12 I Automotive transaction due to a lack of financing, no real property was ever purchased for that
13 transaction and the \$3,200,000 payments to Group I Automotive were forfeited.

14 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

15 **CONCLUSIONS OF LAW**

16 I.

17 The offer or sale of the investments described above constitutes the offer or sale of a security, as
18 defined in RCW 21.20.005(10) and (12), whether in the form of an investment contract or risk capital.

19 II.

20 TSG Capital and Hannah each offered and sold said securities in violation of RCW 21.20.010
21 because they each made untrue statements of a material fact or omitted to state a material fact necessary in
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1 order to make the statements made, in the light of the circumstances under which they were made, not
2 misleading.

3 **CONSENT ORDER**

4 Based upon the foregoing and finding it in the public interest:

5 IT IS AGREED AND ORDERED that Respondents, TSG Real Estate, LLC and Wayne Robert
6 Hannah III, and their agents and employees, each shall cease and desist from violating RCW 21.20.010,
7 the anti-fraud section of the Securities Act of Washington.

8 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.

9 IT IS FURTHER AGREED that Respondents, TSG Real Estate, LLC and Wayne Robert Hannah III,
10 each enter into this Consent Order freely and voluntarily and with a full understanding of its terms and
11 significance.

12 IT IS FURTHER AGREED that, in consideration of the foregoing, Respondents, TSG Real Estate,
13 LLC and Wayne Robert Hannah III, each waive their rights to a hearing in this matter and to judicial
14 review of this order.

15 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

16 SIGNED this __15th__ day of _____ March _____, 2010

17 Signed by:

18 TSG Real Estate, LLC

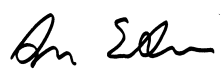
19
20 By /s/ Wayne Robert Hannah III
21 Wayne Robert Hannah III
22 Chief Executive Officer

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Signed by:

/s/ Wayne Robert Hannah III _____
Wayne Robert Hannah III, individually

SIGNED and ENTERED this 24th day of March, 2010



SUZANNE E. SARASON
Chief of Enforcement

Presented by:



Janet So
Enforcement Attorney