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**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING ) Order No.: S-11-0620-13-CO06  
whether there has been a violation of the )  
Securities Act of Washington by: )  
)  
Michael Gintz; David Gintz; Ronald Gintz; Erik ) CONSENT ORDER AS TO DAVID GINTZ; GINTZ GROUP,  
Robbins; Gintz Group, LLC; 2681 Central Terrace, ) LLC; 2681 CENTRAL TERRACE, LLC; 705 EAST  
LLC; 705 East Republican, LLC; 1550 North ) REPUBLICAN, LLC; 1550 NORTH PARKWAY, LLC; 755  
Parkway, LLC; 755 Broadway, LLC; 1052 South ) BROADWAY, LLC; 1052 SOUTH 27<sup>TH</sup> STREET, LLC; 27<sup>TH</sup>  
27<sup>th</sup> Street, LLC; 27<sup>th</sup> Street Station, LLC; Gintz ) STREET STATION, LLC; GINTZ GROUP EQUITY FUND,  
Group Equity Fund, LLC; Gintz Group ) LLC; GINTZ GROUP DEVELOPMENT, LLC  
Development, LLC, )  
)  
Respondents. )

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**INTRODUCTION**

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On May 31, 2013, the Securities Administrator of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, To Impose Fines, and Charge Costs, Order Number S-11-0620-13-SC01, against Respondents Michael Gintz, David Gintz, Ronald Gintz, Erik Robbins, Gintz Group, LLC, 2681 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup> Street, LLC, 27<sup>th</sup> Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC. Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division and Respondents, David Gintz; Gintz Group, LLC, 2681 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup> Street, LLC, 27<sup>th</sup> Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents, David Gintz; Gintz Group, LLC, 2681 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup> Street, LLC, 27<sup>th</sup> Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

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**FINDINGS OF FACT**

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Parties

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1. Gintz Group, LLC was a real estate development company organized on April 19, 2006. It became inactive on August 1, 2011. Gintz Group, LLC owned several subsidiary limited liability companies, each of which owned real estate with the intention of developing that real estate and profiting from its eventual sale. Gintz Group, LLC was

1 originally owned by Michael, David and Ronald Gintz, who each had a one-third share of the company. Around April  
2 of 2009, ownership of Gintz Group, LLC transferred to two limited liability companies organized to hold ownership  
3 interests in Gintz Group, LLC: Gintz Group Equity Fund, LLC and Gintz Group Development, LLC. For  
4 convenience, this Statement of Charges will refer to the Gintz Group, LLC and the collection of entities owned and  
5 managed by Gintz Group, LLC and/or its principals as the “Gintz Group Companies” and only specify the precise  
6 entity or person at issue where necessary for clarity. In addition to Gintz Group, LLC, the “Gintz Group Companies”  
7 consists of those entities identified in paragraphs 6 through 11 and 14 through 18 of this Statement of Charges.

8 2. Michael Gintz is a resident of the state of Washington and was a resident of the state of Washington at all  
9 times relevant to this Statement of Charges. He was a one-third owner and CFO of the Gintz Group, LLC. Michael  
10 Gintz released his ownership interest in the Gintz Group Companies around early 2009 when the Gintz Group  
11 Companies faced severe financial difficulties. Michael Gintz is a Certified Public Accountant in the state of  
12 Washington. He is David Gintz’s brother and Ronald Gintz’s son.

13 3. David Gintz is a resident of the state of Washington and was a resident of the state of Washington at all times  
14 relevant to this Statement of Charges. He was a one-third owner and CEO of the Gintz Group, LLC. When Michael  
15 Gintz released his ownership interest in the Gintz Group Companies, David Gintz’s share of the companies increased  
16 to one-half. Shortly after Michael Gintz released his ownership interest, the Gintz Group Companies restructured, and  
17 David Gintz took a one-half share of Gintz Group Development, LLC, which owned 20% of Gintz Group, LLC. He is  
18 Michael Gintz’s brother and Ronald Gintz’s son.

19 4. Ronald Gintz is a resident of the state of Washington and was a resident of the state of Washington at all  
20 times relevant to this Statement of Charges. He was a one-third owner and COO of the Gintz Group, LLC. When  
21 Michael Gintz released his ownership interest in the Gintz Group Companies, Ronald Gintz’s share of the companies  
22 increased to one-half. Shortly after Michael Gintz released his ownership interest, the Gintz Group Companies  
23 restructured, and Ronald Gintz took a one-half share of Gintz Group Development, LLC, which owned 20% of Gintz  
24 Group, LLC. Ronald Gintz was previously registered in Washington State as a securities salesperson, most recently  
25 with the firm Citigroup Global Markets, Inc. (“Citigroup”). His CRD number is 819831. He is Michael and David  
Gintz’s father.

5. Erik Robbins (“Robbins”) is a resident of the state of Arizona, and was a resident of the state of Arizona at all  
times relevant to this Statement of Charges. He sold promissory notes on behalf of 2681 Central Terrace, LLC.

6. 2681 Central Terrace, LLC (“Villas”) was a Tennessee limited liability company owned and managed by  
Gintz Group, LLC. It was organized on May 26, 2006, in order to develop real estate located in Memphis, Tennessee.  
The LLC became inactive on August 8, 2010. 2681 Central Terrace, LLC’s principal office was located in Tacoma,  
Washington. 2681 Central Terrace, LLC did business under the name “Villas” and will be referred to as “Villas”  
within this Statement of Charges.

1 7. 705 East Republican, LLC (“Vertigo”) was a Washington limited liability company owned and managed by  
2 Gintz Group, LLC. It was organized in order to develop real estate located in Seattle, Washington on July 12, 2006. It  
3 became inactive on November 1, 2010. 705 East Republican, LLC did business under the name “Vertigo” and will be  
referred to as “Vertigo” within this Statement of Charges.

4 8. 1550 North Parkway, LLC (“Glenmary”) was a Tennessee limited liability company owned and managed by  
5 Gintz Group, LLC. It was organized in order to develop real estate located in Memphis, Tennessee on July 27, 2006.  
6 It was headquartered in Tacoma, Washington and became inactive on August 9, 2011. It did business under the name  
7 “Glenmary Senior Living,” and will be referred to as “Glenmary” within this Statement of Charges. Glenmary began  
as a condominium conversion project,

8 9. 755 Broadway, LLC (“Mecca”) was a Washington limited liability corporation owned and managed by Gintz  
9 Group, LLC. It was organized in order to develop real estate located in Tacoma, Washington on August 18, 2006. It  
became inactive on December 1, 2011. 755 Broadway, LLC did business under the name “Mecca” and will be  
referred to as “Mecca” within this Statement of Charges.

10 10. 1052 South 27<sup>th</sup> Street, LLC (“27<sup>th</sup> Street Station”) was a Washington limited liability company owned and  
11 managed by Gintz Group, LLC in order to develop real estate located in Tacoma, Washington. It was organized on  
12 August 21, 2007, and became inactive on December 01, 2010. The business of 27<sup>th</sup> Street Station, LLC and 1052  
13 South 27<sup>th</sup> Street, LLC substantially overlapped, and they will be collectively referred to as “27<sup>th</sup> Street Station”  
within this Statement of Charges.

14 11. 27<sup>th</sup> Street Station, LLC (“27<sup>th</sup> Street Station”) was a Washington limited liability corporation owned and  
15 managed by Gintz Group, LLC in order to develop substantially the same real estate development in Tacoma,  
16 Washington as 1052 South 27<sup>th</sup> Street, LLC. It was organized on February 8, 2008, and became inactive on June 1,  
17 2009. The business of 27<sup>th</sup> Street Station, LLC and 1052 South 27<sup>th</sup> Street, LLC substantially overlapped, and they  
will be collectively referred to as “27<sup>th</sup> Street Station” within this Statement of Charges.

18 12. Gintz Group Equity Fund, LLC (“Equity Fund”) was a Washington limited liability company managed by  
19 Gintz Group Development, LLC in order to finance all of the Gintz Group Companies’ real estate development  
20 activities and to own an 80% interest in the Gintz Group, LLC entity. It was organized on February 24, 2009, and  
became inactive on June 1, 2011.

21 13. Gintz Group Development, LLC (“Development”) is an active Washington limited liability company  
22 originally managed by David Gintz and Ronald Gintz. It was organized in February 3, 2009, in order to hold a 20%  
interest in the Gintz Group, LLC entity and to manage the Equity Fund entity.

23 Related Entities

24 14. 1302 Pacific Avenue, LLC (“Luzon”) was a Washington limited liability company organized on December  
25 21, 2007, in order to develop real estate located in Tacoma, Washington. It became inactive on April 1, 2011. 1302

1 Pacific Avenue, LLC was a wholly owned subsidiary of Gintz Group, LLC. 1302 Pacific Avenue, LLC did business  
2 under the name "Luzon" and will be referred to as "Luzon" within this Statement of Charges.

3 15. 2155 MLK, LLC ("MLK") is an active Washington limited liability company organized on August 25, 2008.  
4 The Gintz Group Companies were contracted by MLK to undertake real estate development work for the owner of the  
5 real estate.

6 16. 920 North 100<sup>th</sup> Street, LLC ("920") was a Washington limited liability company organized on August 21,  
7 2007, in order to develop real estate located in Federal Way, Washington. The LLC became inactive on December 1,  
8 2009. 920 North 100<sup>th</sup> Street, LLC was a wholly owned subsidiary of the Gintz Group, LLC. 920 North 100<sup>th</sup> Street,  
9 LLC did business under the name "920" and will be referred to as "920" within this Statement of Charges.

10 17. 1422 Lamar Avenue, LLC ("Continental") was a Tennessee limited liability company organized on July 27,  
11 2006, in order to develop real estate located in Memphis, Tennessee. The LLC became inactive on August 17, 2009.  
12 1422 Lamar Avenue, LLC was a wholly owned subsidiary of Gintz Group, LLC. 1422 Lamar Avenue, LLC did  
13 business under the name "Continental" and will be referred to as "Continental" within this Statement of Charges.

14 18. 740 Esplanade, LLC ("Solaris") is an active Arizona limited liability corporation organized on August 3,  
15 2007, in order to develop real estate located in Phoenix, Arizona. 740 Esplanade, LLC was a wholly owned subsidiary  
16 of Gintz Group, LLC. 740 Esplanade, LLC did business under the name "Solaris" and will be referred to as "Solaris"  
17 within this Statement of Charges.

#### 18 Nature of the Offering

19 19. The Gintz Group Companies were organized in 2006 by David Gintz, Ronald Gintz and Michael Gintz. The  
20 Gintz Group Companies' business model was, primarily, purchasing apartment complexes in order to convert them  
21 into condominium complexes.

22 20. In order to finance the purchase of real estate, the Gintz Group Companies sold promissory notes to investors.  
23 Gintz Group, LLC issued many of the promissory notes, but subsidiary limited liability companies also issued  
24 promissory notes to investors. The Gintz Group Companies gave some investors, but not all, personal guarantees to  
25 secure their promissory notes. The Gintz Group Companies also gave some investors, but not all, deeds of trust to  
secure their promissory notes, most of which were unrecorded. In about January of 2009, the Gintz Group Companies  
asked their various promissory note investors to trade their promissory notes for limited liability company interests in  
Equity Fund and to contribute additional investment money to Equity Fund. The Gintz Group Companies restructured  
in this way in order to cope with slowing real estate sales and lower real estate values. By about September of 2010  
the Gintz Group Companies were in default of substantially all of their real estate financing arrangements and  
Michael Gintz, Ron Gintz and David Gintz declared personal bankruptcy.

21 21. Ronald Gintz's job at the Gintz Group Companies was primarily to raise funds for the company from  
22 investors. Ronald Gintz formerly worked at Citigroup as a securities salesperson. In order to find investors, he directly

1 solicited his former clients and customers, his friends and family and the friends and family of people he knew.  
2 Ronald Gintz was generally aware of the net worth and investment experience of his former clients and customers.  
3 Ronald Gintz was not aware, however, of the net worth and investment experience of other potential investors. Ronald  
4 Gintz did not make a practice of inquiring into the net worth and investment experience of potential promissory note  
5 purchasers.

6 22. The Gintz Group Companies also maintained a website located at the URL "www.gintzgroup.com." The  
7 website included a brief description of the Gintz Group Companies' various real estate projects as well as biographies  
8 of the Gintz Group Companies' key employees. The website also included a page at the URL  
9 "www.gintzgroup.com/invest.htm" on which the Gintz Group Companies invited viewers to indicate that they were  
10 interested in "investing in a current or future Gintz Group project" by supplying the Gintz Group Companies with the  
11 viewer's name, phone number, email address and investment interests. No password or other control device was used  
12 to restrict access to this webpage.

#### 13 Promissory Notes

14 23. Seven entities, Villas, Vertigo, Glenmary, Mecca, 27<sup>th</sup> Street Station (both 1052 27<sup>th</sup> Street, LLC and 27<sup>th</sup>  
15 Street Station, LLC) and Gintz Group, LLC, sold promissory notes to investors. These entities raised a total of  
16 \$14,931,838 from at least 91 investors located throughout the United States.

17 24. The terms of the notes varied, but generally promised interest rates of between 8% and 50% per annum, with  
18 the majority offering an interest rate of 25% per annum. Several of the notes had no set due date. They, instead,  
19 promised to pay the investor after the lending institution financing most of the development was paid, but before the  
20 Gintz Group Companies profited from the venture. Others had due dates of between nine months and three years.

21 25. Generally, Ronald Gintz would meet with potential investors to solicit investments in the Gintz Group  
22 Companies, except for the notes issued by Villas, which were sold by Robbins. David Gintz and Michael Gintz also  
23 met with potential investors, but with less frequency than Ronald Gintz. They sold Gintz Group Companies  
24 promissory notes by emphasizing the rate of return that the Gintz Group Companies were willing to offer on their  
25 promissory notes. Except in relation to some promissory notes issued by Gintz Group, LLC, the Gintz Group  
Companies generally told investors that their funds would be used to pay down-payments for the acquisition of real  
estate for development. The principals of the Gintz Group Companies explained to investors that the properties would  
be sold at a price more than adequate to repay investors. The Gintz Group Companies represented to investors that the  
amount of funding received from investors was small in comparison to the bank financing necessary to acquire the  
properties and pay for remodeling. They told investors that the interest rates paid to investors was a relatively  
insignificant factor in determining the profitability of their real estate development projects. The Gintz Group  
Companies explained that, because of these considerations, the Gintz Group Companies could afford to offer  
generous rates of interest to investors.

1 26. Gintz Group, LLC, as opposed to the Gintz Group Companies generally, sold most of its promissory notes in  
2 order to fund the general expenses of the company, rather than down-payments on real estate. Ronald Gintz sold the  
3 majority of such notes in 2008, after real estate prices collapsed in 2007. Ronald Gintz represented to such investors  
4 that the Gintz Group Companies were under temporary cash-flow shortages, and the investment dollars would be used  
5 to cover construction overruns and debts owed by the Gintz Group Companies. Ronald Gintz additionally represented  
6 that the Gintz Group Companies had sufficient equity in their real estate holdings to profit from the sale of their  
7 properties.

8 27. Robbins offered and sold the promissory notes that Villas issued to investors, including to two Washington  
9 investors. Robbins forwarded potential investors advertisements for the Villas development property which touted its  
10 potential for a condominium conversion, a pro forma statement indicating a potential net profit of between  
11 \$661,788.50 and \$2,060,388.50, a market analysis indicating that converting the development property to  
12 condominiums for sale would be a profitable venture, and other documents advertising the investment opportunity.  
13 Robbins also answered investors' questions and forwarded them the investment documents. For performing this work,  
14 and managing the development, the Gintz Group Companies agreed to share the profits from the sale of Villas  
15 condominium units with Robbins.

16 28. Villas raised \$695,000 by selling promissory notes to 10 investors located throughout the United States, 2 of  
17 whom were Washington residents. Vertigo raised \$1,495,000 by selling promissory notes to 15 investors located  
18 throughout the United States, 12 of whom were Washington residents. Glenmary raised \$4,494,686 through the sale  
19 of its promissory notes. Glenmary sold notes to 12 investors located throughout the United States, at least 7 of whom  
20 were Washington residents. Mecca raised \$2,260,226 from the sale of its promissory notes to 18 investors, at least 17  
21 of whom were Washington residents. 27<sup>th</sup> Street Station raised \$1,821,085 by selling promissory notes to 19 investors,  
22 12 of whom were Washington residents. Gintz Group, LLC issued promissory notes to at least 33 investors, at least 27  
23 of whom were Washington residents. Gintz Group, LLC raised \$3,541,341 from the sale of its promissory notes.  
24 Ronald Gintz, David Gintz and Michael Gintz each signed promissory notes issued by the Gintz Group Companies.

25 29. The Gintz Group Companies did not deliver to investors audited financial statements or a comprehensive  
document disclosing the risks of the investment. The Gintz Group Companies did not disclose to promissory note  
investors the total amount of debt that the Gintz Group Companies currently owed, or planned to owe. The Gintz  
Group Companies did not disclose any risks related to its key personnel, including the risk that that David Gintz,  
Michael Gintz and Ronald Gintz might have had conflicting duties.

#### *Personal Guarantees*

30. Ronald Gintz, David Gintz and Michael Gintz gave several promissory note investors personal guarantees  
guarantying their investments with the Gintz Group Companies. The Gintz Group Companies offered investors  
personal guarantees in order to induce investors to make investments with the Gintz Group Companies, or when an

investor asked for such a personal guaranty. Such personal guarantees were generally given to investors concurrently with their promissory notes.

31. The principals of the Gintz Group Companies, Ronald Gintz, David Gintz and Michael Gintz, also routinely personally guaranteed loans from lending institutions. When the Gintz Group Companies failed in its efforts to service its debt obligations, such personal guarantees forced the principals of the Gintz Group Companies to declare personal bankruptcy. Ronald Gintz, for instance, claimed unsecured non-priority debt of \$28,175,635.45. This sum represented both unsecured debt owed to investors and unsecured debt owed to others in connection with the Gintz Group Companies as well as personal debts. David Gintz and Michael Gintz claimed \$28,064,202.13 and \$27,687,128.15 of such debt, respectively.

32. The principals of the Gintz Group Companies delivered personal financial statements to some investors, but not all, who received personal guarantees. Those statements showed that in 2006 David Gintz had a net worth of \$14,446,656.19, Ronald Gintz had a net worth of \$2,417,762 and Michael Gintz had a net worth of \$583,000. After about 2006, the principals of the Gintz Group Companies stopped delivering personal financial statements to investors who received personal guaranties. Those personal financial statements which were delivered did not include personal guarantees that the principals of the Gintz Group Companies had already made.

33. Ronald Gintz, David Gintz and Michael Gintz made material omissions related to the personal guarantees they issued to promissory note investors to secure their investments. Ronald Gintz, David Gintz and Michael Gintz did not disclose the number of personal guarantees they issued, nor did they disclose the total dollar amount of debt personally guaranteed. At least one investor thought that he was the only investor who received a personal guarantee, and only learned the extent of the personal guarantees issued when the Gintz Group Companies' principals filed for bankruptcy.

34. Ronald Gintz made at least one material misrepresentation to such an investor by telling that investor his investment was "ironclad" due to the personal guaranty that Ronald Gintz delivered to him. Ronald Gintz promised this investor that he would not encumber his personal assets such that in the event the Gintz Group Companies failed, this investor would always be able to be repaid. In fact, Ronald Gintz over-encumbered his personal assets such that this investor was unable to recoup his investment after Ronald Gintz declared personal bankruptcy.

#### *Deeds of Trust*

35. The Gintz Group Companies also gave deeds of trust to many of its promissory note investors in order to secure their investments. Generally, such deeds of trust were unrecorded and given to the investor concurrently with their promissory note. The Gintz Group Companies told investors to record their deeds of trust only in the event that the Gintz Group Companies were in default of the promissory note secured by the deed of trust. Generally, the deeds of trust were to the property for which the promissory note was sold. For instance, an investor receiving a promissory note issued by Villas would receive a deed of trust to the Villas property.

1 36. The Gintz Group Companies made several material omissions related to the unrecorded deeds of trust that it  
2 gave to investors to purportedly secure their investments. The Gintz Group Companies did not disclose to those  
3 investors that delivering unrecorded deeds of trust regarding the same property to several different investors would  
4 create a priority of payment in the event of default where the first investor to record would be more likely to receive  
5 repayment than any other investor. The Gintz Group Companies did not disclose how many unrecorded deeds of trust  
6 to their properties it gave out to secure investors' investments. The Gintz Group Companies did not disclose the total  
7 amount of debt secured by the property subject to such deeds of trust. The Gintz Group Companies also did not  
8 disclose that in the event the Gintz Group Companies sold the property securing such investors' investments, such  
9 investors would lose the security associated with the unrecorded deed of trust.

8 *Interest Rate Re-Negotiations*

9 37. In about summer through fall of 2008, the Gintz Group Companies became increasingly unable to service the  
10 debt they had taken on to finance their real estate development projects. In an effort to reduce their debt burden, they  
11 approached investors in an attempt to renegotiate the interest rate promised on the promissory notes they had issued.

12 38. Such negotiations would typically begin with a letter sent to the investor requesting that the investor agree to  
13 a change in the interest rate, usually from 25% per annum to 15% per annum. This letter was followed-up with a new  
14 note issued in payment of the old note. In most cases, the due date on the note would change to between one to three  
15 years following the issue date of the new note. In some cases, the maker of the note would change. In one instance, a  
16 note issued personally by Ronald Gintz was replaced by a note issued by Gintz Group, LLC. The Gintz Group  
17 Companies did not keep any records documenting the investor's consent to such changes, and did not ask the investor  
18 to agree to the changes in writing.

19 39. In some instances, the Gintz Group Companies issued such notes in exchange for notes that were secured by  
20 personal guarantees and/or unrecorded deeds of trust. The new notes made no mention of the security instruments  
21 which originally accompanied the investor's investment. The Gintz Group Companies and its principals also did not  
22 reissue the security instruments when it issued the new notes.

23 40. In at least three instances, the Gintz Group Companies issued such new promissory notes without obtaining  
24 affirmative consent from the investor. In these cases, Gintz Group Companies sent the investors a letter in the mail  
25 describing the proposed changes and shortly thereafter sent new promissory notes that purported to be in payment of  
the old notes. These three investors did not complain to the Gintz Group Companies or otherwise seek clarification  
regarding the changes in the terms of their notes.

41. The Gintz Group Companies made material omissions relating to the interest rate re-negotiations. The Gintz  
Group Companies did not disclose that the investors' consent to the changes in the terms of the promissory notes was  
necessary for them to be effective. The Gintz Group Companies did not disclose that they would take silence for  
consent. The Gintz Group Companies did not disclose that changes to the investment could be made without written

1 agreement. The Gintz Group Companies also did not disclose to the investors receiving such notes that accepting the  
2 new notes may have had adverse consequences for the investors who had security instruments attached to their  
3 original investments. The Gintz Group Companies did not disclose their interpretation of the affect that accepting  
4 such new notes may have had on any security that the investors may have possessed.

#### 4 Investor Units

5 42. The condominium conversion business that the Gintz Group Companies were principally engaged in was  
6 highly leveraged. The Gintz Group Companies would not only sell promissory notes to investors, but would also  
7 borrow money from lending institutions in order to purchase the real estate that the Gintz Group Companies were to  
8 convert to condominiums. In order to make a profit on their ventures, the Gintz Group Companies would need to sell  
9 at least enough condominiums in order to pay back the money they borrowed. On a successful condominium  
10 conversion project, the first portion of condominium sales would go toward paying off the debt associated with the  
11 project and the remaining sales would contribute profit for the Gintz Group Companies. The profitability of such a  
12 project was heavily time dependent. If the Gintz Group Companies were unable to sell their condominiums at a  
13 sufficient rate, the mortgage payments and other maintenance costs of owning the condominium complex would  
14 become too great and the Gintz Group Companies would have to default on their debt obligations and risk foreclosure  
15 of their real estate holdings.

16 43. After the collapse of the housing market, the Gintz Group Companies were unable to sell their condominiums  
17 at a rate sufficient to service their debt obligations. In an effort to remain current with their lenders, the Gintz Group  
18 Companies began offering what they termed "investor units" in three of their troubled projects: Villas, Vertigo and  
19 27<sup>th</sup> Street Station. In exchange for purchasing one of their condominiums as an investor unit, one of the Gintz Group  
20 Companies would make out a promissory note to the investor in the amount of their down payment, offering a rate of  
21 interest of 20% per annum payable in two years. The investor would then lease the condominium unit to the Gintz  
22 Group Companies, allowing the Gintz Group Companies to sub-lease the unit. The Gintz Group Companies would be  
23 responsible for all maintenance and holding costs associated with owning the condominium unit, but would also be  
24 allowed to keep whatever profit was associated with renting the condominium unit out. At the end of two years, the  
25 investor could elect to keep the condominium unit, in which case the Gintz Group Companies would pay the investor  
only the interest associated with their down payment, or the investor would sell the unit back to the Gintz Group  
Companies for their original down payment plus the 20% interest.

44. The Gintz Group Companies sold eight investor units to five investors, and issued promissory notes  
associated with those sales for at least \$130,540.85. These promissory notes represented the down payments made by  
investors; the benefit to the Gintz Group Companies would have included the entire purchase price of the  
condominium unit, which could be applied to reduce the Gintz Group Companies' debt. One of the investor units was  
at the 27<sup>th</sup> Street Station property, five were with the Vertigo property, and two were with the Villas property.

1 45. Gintz Group, LLC made out a promissory note in the amount of \$36,029.85 to the investor who purchased the  
2 27<sup>th</sup> Street Station investor unit. David Gintz, Michael Gintz and Ronald Gintz also gave this investor a personal  
3 guaranty guarantying the terms of the investment.

4 46. In approximately mid-2010, the Gintz Group Companies stopped making payments on the investor units. At  
5 least one such investor was forced to take possession of their property and to pay all maintenance and holding  
6 payments or risk foreclosure.

7 47. The Gintz Group Companies did not deliver to any of the investor unit investors a comprehensive document  
8 disclosing the risks of purchasing such an investor unit. The Gintz Group Companies did not disclose the risk that  
9 should the Gintz Group Companies become unable to make the maintenance and holding payments associated with  
10 owning the units, the investor would become obligated to make such payments or risk foreclosure.

#### 11 Debt to Equity Conversion

12 48. In early February 2009, the Gintz Group Companies proposed to their promissory note investors that in order  
13 to save the Gintz Group Companies from failure, the investors would have to forgo their promissory note investments  
14 and take an equitable stake in the companies instead. The Gintz Group Companies also represented that, in order to  
15 avoid failure, they would need to raise additional capital from investors. They referred to this endeavor as the “debt to  
16 equity conversion.”

17 49. The Gintz Group Companies originally broached this proposal with investors in a series of letters, with the  
18 formal subscription documents and disclosure documents delivered to investors in about March of 2009. The Gintz  
19 Group Companies also proposed two amendments to the subscription agreement, which were incorporated into the  
20 transaction even though not all investors agreed to them.

21 50. The Gintz Group Companies told investors that if they did not meet their debt reduction and capital raising  
22 goals, then the debt to equity conversion would be called off and any money received from investors in connection  
23 with the debt to equity conversion would be returned. The Gintz Group Companies were unable to meet their goals,  
24 but proceeded with the debt to equity conversion anyway and kept all investor funds raised in connection with the  
25 debt to equity conversion.

#### 26 *The Terms of the Debt to Equity Conversion*

27 51. The investment restructuring involved the creation of two new entities: Development and Equity Fund.  
28 Development would own 20% of the Gintz Group Companies. Development would be owned, 50% each, by David  
29 Gintz and Ronald Gintz. Development would also manage the second entity, Equity Fund. Equity Fund would own  
30 80% of the Gintz Group Companies. Equity Fund would be owned by former promissory note investors who would  
31 hold Class A LLC interests, for the contribution of new capital, and Class B LLC interests, issued in exchange for the

1 cancellation of promissory notes. Equity Fund would also issue zero interest promissory notes to investors who did  
2 not want Class B interests in exchange for the cancellation of older Gintz Group Companies promissory notes.

3 52. Class A interests were sold for \$10 per unit, Class B interests were sold at a one-to-one rate of exchange for  
4 promissory note face value for Class B interests. As part of the exchange of promissory notes for Class B interests,  
5 however, investors had to forgo all accrued interest on their notes. Any interest payments made were applied to the  
6 principal of the note. All interest due to the investor, whether presently or in the future under the terms of the note,  
7 was forgiven by the investor. Zero interest promissory notes were also sold at a one-to-one rate of exchange,  
8 disregarding any interest owed to the investor and applying any interest paid to the face value of the note.

9 53. The Equity Fund had to meet two significant conditions before it could release new investor funds to the  
10 Gintz Group Companies, according to the subscription agreement and the its amendments. First, total new money had  
11 to equal at least \$850,000. Second, at least 80% of the aggregate amount of outstanding Gintz Group Companies  
12 promissory notes had to be exchanged for Class B LLC interests and/or zero interest rate notes. If these conditions  
13 were not met prior to March 14, 2009 (subject to a 30 day extension), the offering would be cancelled, and all funds  
14 would be returned to investors.

15 54. The second amendment to the subscription agreement provided additional incentive for investors to invest  
16 new money. It changed the agreement so that Class A interest holders would be entitled to receive Class B interests  
17 equal to 30% of their Class A interest investment. For instance, an investor who contributed \$100 for Class A interests  
18 would receive 10 Class A interests and 30 Class B interests. This amendment had the effect of diluting Class B  
19 holders' interests. At least one investor who exchanged Gintz Group Companies promissory notes for Class B units  
20 did not agree to the second amendment to the subscription agreement, which diluted the investor's Class B interests.

21 55. Over the months of February, March and April of 2009, Ronald Gintz and David Gintz met with investors in  
22 face-to-face meetings and talked with them over the telephone in an attempt to persuade them to exchange their  
23 promissory notes for Class B interests and to contribute new capital for Class A interests. They generally told  
24 investors that the Gintz Group Companies would fail and would be unable to repay investors if they were  
25 unsuccessful in converting at least 80% of debt owed to investors to equity and in raising at least \$850,000 of new  
capital. They also told investors that they believed an economic recovery would be underway after about one year.  
They further told investors that the goal of the debt to equity conversion was to enable the Gintz Group Companies to  
retain ownership of their real estate assets and profit from the sale of those assets after the real estate market  
recovered.

56. Ronald and David Gintz were not able to convince investors holding an aggregate of 80% of outstanding  
Gintz Group Companies promissory notes to cancel their notes in exchange for Class B interests and zero interest  
promissory notes. Investors exchanged no more than \$6,372,441 of outstanding promissory note investments for Class  
B interests, and no more than \$2,628,935 of outstanding promissory note investments for zero interest promissory

1 notes. This constituted approximately 68% of all Gintz Group Companies promissory note debt owed to investors at  
2 that time.

3 57. Ronald and David Gintz were also unable to raise \$850,000 of new capital by selling Equity Fund Class A  
4 LLC interests. Equity Fund raised no more than \$319,250 of new capital from 28 investors. Equity Fund also received  
5 a contribution of \$190,000 from Ronald Gintz in exchange for Class A interests, for a total of \$509,250 of new  
6 capital.

7 58. At no time did Equity Fund cancel or rescind the investment restructuring for failure to meet the terms of the  
8 subscription agreement. Equity Fund did not return Class A interest investors' money. Equity Fund proceeded with  
9 the investment restructuring and, through Ronald Gintz, delivered to investors certificates evidencing their Class A  
10 and Class B holdings as well as zero interest promissory notes. Ronald Gintz gave investors who contributed new  
11 capital certificates for Class B interests in accordance with the second amendment to the subscription agreement, even  
12 though not all investors who participated in the debt to equity conversion agreed to that amendment.

13 *Misrepresentations and Omissions Related to the Debt to Equity Disclosure Documents*

14 59. In connection with the debt to equity investment restructuring described above, Equity Fund delivered to  
15 investors several documents. These included a two-page "Private Placement Memorandum," an LLC operating  
16 agreement for Equity Fund, reviewed financial statements for substantially all of the Gintz Group Companies, a pro  
17 forma statement estimating the cash uses and sources for the Gintz Group Companies for the following ten years, a  
18 narrative of the assumptions underlying that pro forma and several letters. In addition, individual investors received  
19 "investor worksheets" which projected the profit the investors would receive if they converted their promissory notes  
20 into Class B LLC interests.

21 60. The private placement memorandum disclosed that the assets of Equity Fund would consist of the  
22 development projects Glenmary, Continental, Villas, 27<sup>th</sup> Street Station, Luzon, Mecca, Solaris and MLK. Regarding  
23 the Continental project, the reviewed financial statements disclosed that the project was not going to be profitable as a  
24 condominium conversion, the purpose for which the real estate was purchased by the Gintz Group Companies, but did  
25 not disclose what the Gintz Group Companies were planning on doing with the property. The pro forma statement and  
the accompanying narrative did not discuss the Continental development project at all. In fact, the Gintz Group  
Companies ceased making payments on the Continental in about fall of 2008. At no time was that disclosed to  
investors. The lender who held a first position mortgage on the property initiated foreclosure proceedings on the  
Continental real estate on April 24, 2009.

61. The 920 project was purportedly not among the assets included in Equity Fund. The financial statements  
disclosed that the Gintz Group Companies were going to sell the underlying real estate back to the individual from  
whom it was purchased. In fact, that sale was never completed. The Gintz Group Companies ceased making payments  
on the 920 property in January of 2009. The principals of the Gintz Group Companies, Ronald Gintz, David Gintz and

1 Michael Gintz had personally guaranteed the financing to purchase the 920 property. Equity Fund did not disclose the  
2 cessation of payments on the 920 property, or the potential ramifications for the principals of the Gintz Group  
3 Companies, to investors in the debt to equity restructuring.

4 62. The pro forma cash uses and sources that Equity Fund delivered to investors projected total revenue at the end  
5 of ten years of \$30,729,000. Of that sum, \$21,383,000 was to come from operation of the Glenmary project as an  
6 assisted living center, leased from Nationwide Health Properties (“NHP”), a real estate investment trust. On the basis  
7 of these revenue projections, Equity Fund projected total distributions to investors of \$25,958,600. Using the pro  
8 forma to derive their numbers, Equity Fund delivered to investors “Individual Investor Worksheets” to illustrate the  
9 potential profit they could make by participating in the investment restructuring. One investor, for instance, who  
10 initially invested \$100,000 in exchange for a promissory note, was projected to receive a total repayment of  
11 \$212,613.10 in ten years. The narrative accompanying the pro forma did not disclose the assumptions underlying  
12 these profit projections, especially regarding the Glenmary project. In fact, the Gintz Group Companies were unable  
13 to maintain their lease with NHP, and NHP terminated the lease in February of 2010.

14 63. Equity Fund never disclosed to investors the material terms of significant contractual arrangements affecting  
15 the profitability of the Gintz Group Companies, including the terms of the lease between NHP and Glenmary.

#### 16 Registration Status

17 64. None of the Respondents are currently registered to sell their securities in the state of Washington and have  
18 not previously been so registered. Neither have Ronald Gintz, David Gintz nor Michael Gintz ever been registered to  
19 issue securities.

20 65. Gintz Group Equity Fund, LLC filed a claim for exemption under WAC 460-44A-506 with the Washington  
21 State Securities Division. Gintz Group Equity Fund, LLC was ineligible for such exemption from the registration  
22 provisions of the Washington State Securities Act for reasons of general solicitation as described above.

23 66. 27<sup>th</sup> Street Station, LLC filed a claim for exemption under WAC 460-44A-506 with the Washington State  
24 Securities Division. The exemption claimed \$2,500,000 of equity securities in the entity 27<sup>th</sup> Street Station, LLC. No  
25 such securities were ever offered or sold. Additionally, 27<sup>th</sup> Street Station, LLC was ineligible for such exemption  
from the registration provisions of the Washington State Securities Act for reasons of general solicitation as described  
above.

67. Michael Gintz, David Gintz, Ronald Gintz, Erik Robbins, and Gintz Group Development, LLC are not  
currently registered as a securities salesperson or broker-dealer in the state of Washington and were not so registered  
at any time relevant to this Statement of Charges. Ronald Gintz was a registered securities salesperson in the state of  
Washington from August of 1985 until August of 2006.

1 Based upon the above Findings of Fact, the following Conclusions of Law are made:

2 **CONCLUSIONS OF LAW**

3 **I.**

4 The offer and/or sale of promissory notes, investor units, personal guarantees and LLC interests described  
5 above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17), as an investment  
6 contract, a note, consideration in the risk capital of a venture and/or otherwise.

7 **II.**

8 The offer and/or sale of said securities were in violation of RCW 21.20.140 because no registration for such  
9 offer and/or sale is on file with the Securities Administrator.

10 **III.**

11 Michael Gintz violated RCW 21.20.040 by offering and/or selling said securities while not being registered as  
12 a securities salesperson or broker-dealer in the state of Washington. Gintz Group Development, LLC has violated  
13 RCW 21.20.040 by offering and/or selling said securities while not being registered as a broker-dealer in the state of  
14 Washington.

15 **IV.**

16 The offer and/or sale of said securities were made in violation of RCW 21.20.010 because of the material  
17 misrepresentations and omissions described above.

18 **CONSENT ORDER**

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

20 IT IS AGREED AND ORDERED that Respondents, David Gintz; Gintz Group, LLC, 2681 Central Terrace,  
21 LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup> Street, LLC, 27<sup>th</sup>  
22 Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, their agents and employees  
23 each shall cease and desist from violating RCW 21.20.140, the securities registration section of the Securities Act of  
24 Washington.

25 IT IS FURTHER AGREED AND ORDERED that Respondents, David Gintz; Gintz Group, LLC, 2681  
Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup>  
Street, LLC, 27<sup>th</sup> Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, their  
agents and employees each shall cease and desist from violating RCW 21.20.040, the securities salesperson and  
broker-dealer registration section of the Securities Act of Washington.

1 IT IS FURTHER AGREED AND ORDERED that Respondents, David Gintz; Gintz Group, LLC, 2681  
2 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup>  
3 Street, LLC, 27<sup>th</sup> Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, their  
4 agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the  
5 Securities Act of Washington.

6 IT IS FURTHER AGREED AND ORDERED that Respondent David Gintz shall be liable for and shall pay a  
7 fine of \$5,000. Payment of the fine shall be made as follows: David Gintz shall pay \$50 on or before entry of this  
8 Consent Order. David Gintz shall then make monthly payments of \$50 for the following five (5) consecutive months.  
9 David Gintz shall then make monthly payments of \$100 for the following forty-seven (47) consecutive months. Each  
10 payment shall be due on the first day of the month, unless the first day of the month falls on a weekend or holiday, in  
11 which case payments shall be due on the first business day following the first day of the month.

12 IT IS FURTHER AGREED that if David Gintz fails to make any monthly payment, the \$5,000 fine imposed  
13 in this Consent Order shall become immediately due and payable, and the Securities Division may seek enforcement  
14 of the Consent Order pursuant to RCW 21.20.395.

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

16 IT IS FURTHER AGREED that Respondents, David Gintz; Gintz Group, LLC, 2681 Central Terrace, LLC,  
17 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27<sup>th</sup> Street, LLC, 27<sup>th</sup> Street  
18 Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, entered into this Consent Order  
19 freely and voluntarily and with a full understanding of its terms and significance.

20 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, David Gintz; Gintz Group,  
21 LLC, 2681 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052  
22 South 27<sup>th</sup> Street, LLC, 27<sup>th</sup> Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development,  
23 LLC, waived their right to a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter  
24 34.05 RCW.

25 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Signed this 31<sup>st</sup> day of October 2013.

Signed by:

Gintz Group, LLC

/s/  
David Gintz

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Signed by:  
2681 Central Terrace, LLC

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/s/  
David Gintz

Signed by:  
705 East Republican, LLC

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/s/  
David Gintz

Signed by:  
1550 North Parkway, LLC

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/s/  
David Gintz

Signed by:  
755 Broadway, LLC

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/s/  
David Gintz

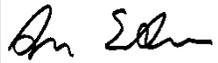
Signed by:  
1052 South 27<sup>th</sup> Street, LLC

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/s/  
David Gintz



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Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Jack McClellan  
Financial Legal Examiner