

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order No.: S-11-0620-13-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
) TO ENTER ORDER TO CEASE AND DESIST,
Michael Gintz; David Gintz; Ronald Gintz; Erik) TO IMPOSE FINES AND TO CHARGE COSTS
Robbins; Gintz Group, LLC; 2681 Central Terrace,)
LLC; 705 East Republican, LLC; 1550 North)
Parkway, LLC; 755 Broadway, LLC; 1052 South)
27th Street, LLC; 27th Street Station, LLC; Gintz)
Group Equity Fund, LLC; Gintz Group)
Development, LLC,)
)
)
Respondents.)

THE STATE OF WASHINGTON TO:

Michael Gintz
David Gintz
Ronald Gintz (CRD #819831)
Erik Robbins
Gintz Group, LLC
2681 Central Terrace, LLC
705 East Republican, LLC
1550 North Parkway, LLC
755 Broadway, LLC
1052 South 27th Street, LLC
27th Street Station, LLC
Gintz Group Equity Fund, LLC
Gintz Group Development, LLC

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, Michael Gintz, David Gintz, Ronald Gintz, Erik Robbins, Gintz Group, LLC, 2681 Central Terrace, LLC, 1550 North Parkway, LLC, 755 Broadway, LLC, 1052 South 27th Street, LLC, 27th Street Station, LLC, 705 East Republican, LLC, Gintz Group Equity Fund, LLC and Gintz Group Development, LLC, have each violated the Securities Act of Washington. The Securities Administrator believes those violations justifies the entry of an order against the Respondents to cease and desist from such violations and to charge costs pursuant to RCW 21.20.390, and to impose fines pursuant to RCW 21.20.395. The Securities Administrator finds as follows:

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO
CEASE AND DESIST, TO IMPOSE FINES
AND TO CHARGE COSTS

1

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia WA 98507-9033
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 Parties

3 1. Gintz Group, LLC was a real estate development company organized on April 19, 2006. It became inactive on
4 August 1, 2011. Gintz Group, LLC owned several subsidiary limited liability companies, each of which owned real
5 estate with the intention of developing that real estate and profiting from its eventual sale. Gintz Group, LLC was
6 originally owned by Michael, David and Ronald Gintz, who each had a one-third share of the company. Around April
7 of 2009, ownership of Gintz Group, LLC transferred to two limited liability companies organized to hold ownership
8 interests in Gintz Group, LLC: Gintz Group Equity Fund, LLC and Gintz Group Development, LLC. For
9 convenience, this Statement of Charges will refer to the Gintz Group, LLC and the collection of entities owned and
10 managed by Gintz Group, LLC and/or its principals as the “Gintz Group Companies” and only specify the precise
11 entity or person at issue where necessary for clarity. In addition to Gintz Group, LLC, the “Gintz Group Companies”
12 consists of those entities identified in paragraphs 6 through 11 and 14 through 18 of this Statement of Charges.

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

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

24 4. Ronald Gintz is a resident of the state of Washington and was a resident of the state of Washington at all
25 times relevant to this Statement of Charges. He was a one-third owner and COO of the Gintz Group, LLC. When
Michael Gintz released his ownership interest in the Gintz Group Companies, Ronald Gintz’s share of the companies
increased to one-half. Shortly after Michael Gintz released his ownership interest, the Gintz Group Companies
restructured, and Ronald Gintz took a one-half share of Gintz Group Development, LLC, which owned 20% of Gintz
Group, LLC. Ronald Gintz was previously registered in Washington State as a securities salesperson, most recently

1 with the firm Citigroup Global Markets, Inc. (“Citigroup”). His CRD number is 819831. He is Michael and David
2 Gintz’s father.

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

5 6. 2681 Central Terrace, LLC (“Villas”) was a Tennessee limited liability company owned and managed by
6 Gintz Group, LLC. It was organized on May 26, 2006, in order to develop real estate located in Memphis, Tennessee.
7 The LLC became inactive on August 8, 2010. 2681 Central Terrace, LLC’s principal office was located in Tacoma,
8 Washington. 2681 Central Terrace, LLC did business under the name “Villas” and will be referred to as “Villas”
9 within this Statement of Charges.

10 7. 705 East Republican, LLC (“Vertigo”) was a Washington limited liability company owned and managed by
11 Gintz Group, LLC. It was organized in order to develop real estate located in Seattle, Washington on July 12, 2006. It
12 became inactive on November 1, 2010. 705 East Republican, LLC did business under the name “Vertigo” and will be
13 referred to as “Vertigo” within this Statement of Charges.

14 8. 1550 North Parkway, LLC (“Glenmary”) was a Tennessee limited liability company owned and managed by
15 Gintz Group, LLC. It was organized in order to develop real estate located in Memphis, Tennessee on July 27, 2006.
16 It was headquartered in Tacoma, Washington and became inactive on August 9, 2011. It did business under the name
17 “Glenmary Senior Living,” and will be referred to as “Glenmary” within this Statement of Charges. Glenmary began
18 as a condominium conversion project,

19 9. 755 Broadway, LLC (“Mecca”) was a Washington limited liability corporation owned and managed by Gintz
20 Group, LLC. It was organized in order to develop real estate located in Tacoma, Washington on August 18, 2006. It
21 became inactive on December 1, 2011. 755 Broadway, LLC did business under the name “Mecca” and will be
22 referred to as “Mecca” within this Statement of Charges.

23 10. 1052 South 27th Street, LLC (“27th Street Station”) was a Washington limited liability company owned and
24 managed by Gintz Group, LLC in order to develop real estate located in Tacoma, Washington. It was organized on
25 August 21, 2007, and became inactive on December 01, 2010. The business of 27th Street Station, LLC and 1052
South 27th Street, LLC substantially overlapped, and they will be collectively referred to as “27th Street Station”
within this Statement of Charges.

11 11. 27th Street Station, LLC (“27th Street Station”) was a Washington limited liability corporation owned and
12 managed by Gintz Group, LLC in order to develop substantially the same real estate development in Tacoma,
13 Washington as 1052 South 27th Street, LLC. It was organized on February 8, 2008, and became inactive on June 1,

2009. The business of 27th Street Station, LLC and 1052 South 27th Street, LLC substantially overlapped, and they will be collectively referred to as “27th Street Station” within this Statement of Charges.

12. Gintz Group Equity Fund, LLC (“Equity Fund”) was a Washington limited liability company managed by Gintz Group Development, LLC in order to finance all of the Gintz Group Companies’ real estate development 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.

13. Gintz Group Development, LLC (“Development”) is an active Washington limited liability company 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.

Related Entities

14. 1302 Pacific Avenue, LLC (“Luzon”) was a Washington limited liability company organized on December 21, 2007, in order to develop real estate located in Tacoma, Washington. It became inactive on April 1, 2011. 1302 Pacific Avenue, LLC was a wholly owned subsidiary of Gintz Group, LLC. 1302 Pacific Avenue, LLC did business under the name “Luzon” and will be referred to as “Luzon” within this Statement of Charges.

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

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

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

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

Nature of the Offering

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

20. In order to finance the purchase of real estate, the Gintz Group Companies sold promissory notes to investors. Gintz Group, LLC issued many of the promissory notes, but subsidiary limited liability companies also issued promissory notes to investors. The Gintz Group Companies gave some investors, but not all, personal guarantees to 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. Ronald Gintz's job at the Gintz Group Companies was primarily to raise funds for the company from investors. Ronald Gintz formerly worked at Citigroup as a securities salesperson. In order to find investors, he directly solicited his former clients and customers, his friends and family and the friends and family of people he knew. Ronald Gintz was generally aware of the net worth and investment experience of his former clients and customers. Ronald Gintz was not aware, however, of the net worth and investment experience of other potential investors. Ronald Gintz did not make a practice of inquiring into the net worth and investment experience of potential promissory note purchasers.

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

Promissory Notes

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

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

25. Generally, Ronald Gintz would meet with potential investors to solicit investments in the Gintz Group Companies, except for the notes issued by Villas, which were sold by Robbins. David Gintz and Michael Gintz also met with potential investors, but with less frequency than Ronald Gintz. They sold Gintz Group Companies promissory notes by emphasizing the rate of return that the Gintz Group Companies were willing to offer on their 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.

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

27. Robbins offered and sold the promissory notes that Villas issued to investors, including to two Washington investors. Robbins forwarded potential investors advertisements for the Villas development property which touted its potential for a condominium conversion, a pro forma statement indicating a potential net profit of between

1 \$661,788.50 and \$2,060,388.50, a market analysis indicating that converting the development property to
2 condominiums for sale would be a profitable venture, and other documents advertising the investment opportunity.
3 Robbins also answered investors' questions and forwarded them the investment documents. For performing this work,
4 and managing the development, the Gintz Group Companies agreed to share the profits from the sale of Villas
5 condominium units with Robbins.

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

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

20 *Personal Guarantees*

21 30. Ronald Gintz, David Gintz and Michael Gintz gave several promissory note investors personal guarantees
22 guarantying their investments with the Gintz Group Companies. The Gintz Group Companies offered investors
23 personal guarantees in order to induce investors to make investments with the Gintz Group Companies, or when an
24 investor asked for such a personal guaranty. Such personal guarantees were generally given to investors concurrently
25 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

1 Companies as well as personal debts. David Gintz and Michael Gintz claimed \$28,064,202.13 and \$27,687,128.15 of
2 such debt, respectively.

3 32. The principals of the Gintz Group Companies delivered personal financial statements to some investors, but
4 not all, who received personal guarantees. Those statements showed that in 2006 David Gintz had a net worth of
5 \$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
6 about 2006, the principals of the Gintz Group Companies stopped delivering personal financial statements to investors
7 who received personal guaranties. Those personal financial statements which were delivered did not include personal
8 guarantees that the principals of the Gintz Group Companies had already made.

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

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

20
21 *Deeds of Trust*

22 35. The Gintz Group Companies also gave deeds of trust to many of its promissory note investors in order to
23 secure their investments. Generally, such deeds of trust were unrecorded and given to the investor concurrently with
24 their promissory note. The Gintz Group Companies told investors to record their deeds of trust only in the event that
25 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.

36. The Gintz Group Companies made several material omissions related to the unrecorded deeds of trust that it
gave to investors to purportedly secure their investments. The Gintz Group Companies did not disclose to those
investors that delivering unrecorded deeds of trust regarding the same property to several different investors would
create a priority of payment in the event of default where the first investor to record would be more likely to receive

1 repayment than any other investor. The Gintz Group Companies did not disclose how many unrecorded deeds of trust
2 to their properties it gave out to secure investors' investments. The Gintz Group Companies did not disclose the total
3 amount of debt secured by the property subject to such deeds of trust. The Gintz Group Companies also did not
4 disclose that in the event the Gintz Group Companies sold the property securing such investors' investments, such
5 investors would lose the security associated with the unrecorded deed of trust.

6 *Interest Rate Re-Negotiations*

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

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

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

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

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

1 new notes may have had adverse consequences for the investors who had security instruments attached to their
2 original investments. The Gintz Group Companies did not disclose their interpretation of the affect that accepting
3 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 27th 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

1 condominium unit, which could be applied to reduce the Gintz Group Companies' debt. One of the investor units was
2 at the 27th Street Station property, five were with the Vertigo property, and two were with the Villas property.

3 45. Gintz Group, LLC made out a promissory note in the amount of \$36,029.85 to the investor who purchased the
4 27th Street Station investor unit. David Gintz, Michael Gintz and Ronald Gintz also gave this investor a personal
5 guaranty guarantying the terms of the investment.

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

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

13 Debt to Equity Conversion

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

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

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

1 Gintz and Ronald Gintz. Development would also manage the second entity, Equity Fund. Equity Fund would own
2 80% of the Gintz Group Companies. Equity Fund would be owned by former promissory note investors who would
3 hold Class A LLC interests, for the contribution of new capital, and Class B LLC interests, issued in exchange for the
4 cancellation of promissory notes. Equity Fund would also issue zero interest promissory notes to investors who did
5 not want Class B interests in exchange for the cancellation of older Gintz Group Companies promissory notes.

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

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

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

24 55. Over the months of February, March and April of 2009, Ronald Gintz and David Gintz met with investors in
25 face-to-face meetings and talked with them over the telephone in an attempt to persuade them to exchange their
promissory notes for Class B interests and to contribute new capital for Class A interests. They generally told
investors that the Gintz Group Companies would fail and would be unable to repay investors if they were
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

1 retain ownership of their real estate assets and profit from the sale of those assets after the real estate market
2 recovered.

3 56. Ronald and David Gintz were not able to convince investors holding an aggregate of 80% of outstanding
4 Gintz Group Companies promissory notes to cancel their notes in exchange for Class B interests and zero interest
5 promissory notes. Investors exchanged no more than \$6,372,441 of outstanding promissory note investments for Class
6 B interests, and no more than \$2,628,935 of outstanding promissory note investments for zero interest promissory
7 notes. This constituted approximately 68% of all Gintz Group Companies promissory note debt owed to investors at
8 that time.

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

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

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Misrepresentations and Omissions Related to the Debt to Equity Disclosure Documents

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

33 60. The private placement memorandum disclosed that the assets of Equity Fund would consist of the
34 development projects Glenmary, Continental, Villas, 27th Street Station, Luzon, Mecca, Solaris and MLK. Regarding
35 the Continental project, the reviewed financial statements disclosed that the project was not going to be profitable as a
36 condominium conversion, the purpose for which the real estate was purchased by the Gintz Group Companies, but did

1 not disclose what the Gintz Group Companies were planning on doing with the property. The pro forma statement and
2 the accompanying narrative did not discuss the Continental development project at all. In fact, the Gintz Group
3 Companies ceased making payments on the Continental in about fall of 2008. At no time was that disclosed to
4 investors. The lender who held a first position mortgage on the property initiated foreclosure proceedings on the
5 Continental real estate on April 24, 2009.

6 61. The 920 project was purportedly not among the assets included in Equity Fund. The financial statements
7 disclosed that the Gintz Group Companies were going to sell the underlying real estate back to the individual from
8 whom it was purchased. In fact, that sale was never completed. The Gintz Group Companies ceased making payments
9 on the 920 property in January of 2009. The principals of the Gintz Group Companies, Ronald Gintz, David Gintz and
10 Michael Gintz had personally guaranteed the financing to purchase the 920 property. Equity Fund did not disclose the
11 cessation of payments on the 920 property, or the potential ramifications for the principals of the Gintz Group
12 Companies, to investors in the debt to equity restructuring.

13 62. The pro forma cash uses and sources that Equity Fund delivered to investors projected total revenue at the end
14 of ten years of \$30,729,000. Of that sum, \$21,383,000 was to come from operation of the Glenmary project as an
15 assisted living center, leased from Nationwide Health Properties (“NHP”), a real estate investment trust. On the basis
16 of these revenue projections, Equity Fund projected total distributions to investors of \$25,958,600. Using the pro
17 forma to derive their numbers, Equity Fund delivered to investors “Individual Investor Worksheets” to illustrate the
18 potential profit they could make by participating in the investment restructuring. One investor, for instance, who
19 initially invested \$100,000 in exchange for a promissory note, was projected to receive a total repayment of
20 \$212,613.10 in ten years. The narrative accompanying the pro forma did not disclose the assumptions underlying
21 these profit projections, especially regarding the Glenmary project. In fact, the Gintz Group Companies were unable
22 to maintain their lease with NHP, and NHP terminated the lease in February of 2010.

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

25 Registration Status

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

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

1 66. 27th Street Station, LLC filed a claim for exemption under WAC 460-44A-506 with the Washington State
2 Securities Division. The exemption claimed \$2,500,000 of equity securities in the entity 27th Street Station, LLC. No
3 such securities were ever offered or sold. Additionally, 27th Street Station, LLC was ineligible for such exemption
4 above.

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

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

10 **CONCLUSIONS OF LAW**

11 **I.**

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

15 **II.**

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

18 **III.**

19 Michael Gintz, David Gintz, Ronald Gintz and Erik Robbins have violated RCW 21.20.040 by offering
20 and/or selling said securities while not being registered as a securities salesperson or broker-dealer in the state of
21 Washington. Gintz Group Development, LLC has violated RCW 21.20.040 by offering and/or selling said securities
22 while not being registered as a broker-dealer in the state of Washington.

23 **IV.**

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

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

1 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator
2 intends to order, pursuant to RCW 21.20.390(1), that Michael Gintz, David Gintz, Ronald Gintz, Erik Robbins, Gintz
3 Group, LLC, 2681 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway,
4 LLC, 1052 South 27th Street, LLC, 27th Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group
5 Development, LLC, their agents and employees each shall cease and desist from violations of RCW 21.20.010, RCW
6 21.20.040, and RCW 21.20.140.

7 **NOTICE OF INTENT TO IMPOSE FINES AND CHARGE COSTS**

8 Pursuant to RCW 21.20.390 and RCW 21.20.395, and based upon the Tentative Findings of Fact and
9 Conclusions of Law, the Securities Administrator intends to order that Michael Gintz, David Gintz, Ronald Gintz and
10 Erik Robbins shall be liable for and pay fines and costs as follows:

- 11 • Michael Gintz shall be liable for and shall pay a fine of \$5,000. Michael Gintz shall be liable for and shall pay
12 costs of at least \$5,000.
- 13 • David Gintz shall be liable for and shall pay a fine of \$10,000. David Gintz shall be liable for and shall pay
14 costs of at least \$5,000.
- 15 • Ronald Gintz shall be liable for and shall pay a fine of \$15,000. Ronald Gintz shall be liable for and shall pay
16 costs of at least \$5,000.
- 17 • Erik Robbins shall be liable for and shall pay a fine of \$2,500. Erik Robbins shall be liable for and shall pay
18 costs of at least \$2,500.

19 **AUTHORITY AND PROCEDURE**

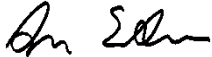
20 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the
21 provisions of Chapter 34.05 RCW. The respondents, Michael Gintz, David Gintz, Ronald Gintz, Erik Robbins, Gintz
22 Group, LLC, 2681 Central Terrace, LLC, 705 East Republican, LLC, 1550 North Parkway, LLC, 755 Broadway,
23 LLC, 1052 South 27th Street, LLC, 27th Street Station, LLC, Gintz Group Equity Fund, LLC and Gintz Group
24 Development, LLC may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY
25 TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a
hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact
and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose
any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this 31st day of May 2013.



William M. Beatty
Securities Administrator

Approved by:



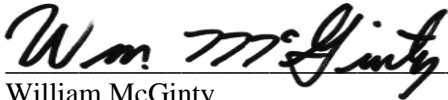
Suzanne Sarason
Chief of Enforcement

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor

Presented by:



William McGinty
Financial Legal Examiner

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STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER ORDER TO
CEASE AND DESIST, TO IMPOSE FINES
AND TO CHARGE COSTS

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
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