

1 Capital Group LLC, the companies that owned the planned hotel properties. Fisher has more than 25 years
2 of experience with commercial real estate.

3 **Overview**

4 3. During 2014 and 2015, the Respondents offered and sold more than \$2.5 million worth of LLC
5 membership interest investments in two different limited liability companies to more than 20 investors,
6 including at least 14 Washington investors. The Respondents sold the investments to raise funds for two
7 separate historic hotel development projects. One project was for developing the J&M Hotel, and the other
8 was for developing the Hotel Metropole.

9 4. Initially, the Respondents raised funds to acquire the entitlements (the legal real property
10 development rights) for each development project. Later, the Respondents hoped to raise additional funds for
11 project construction. The investors generally did not participate in the real property development projects.
12 The investors were relying upon the Respondents to generate a return on their investments.

13 5. The Respondents offered the LLC membership investments to accredited investors, including
14 multiple Washington residents. The Respondents solicited the investments primarily through word of mouth,
15 without third party advertising. Seneca Ventures also maintained a website that provided information about
16 the J&M and Hotel Metropole real estate syndication investments. When offering the investments, the
17 Respondents generally provided the investors with offering materials, including a private placement
18 investment offering memorandum, a purchaser questionnaire, and a subscription agreement. The offering
19 materials were similar for both projects.
20

21 **J&M Hotel Investment Offering**

22 6. From September 2014 through January 2015, the Respondents offered and sold LLC
23 membership interests in J&M Capital Group LLC (“J&M”) for approximately \$100,000 per unit. The
24
25

1 Respondents offered and sold LLC membership interests to approximately 15 investors, including at least ten
2 Washington investors, for a total of approximately \$1,320,000.

3 7. The investor funds were pooled together and were to be used for acquiring entitlements for the
4 development of the J&M Hotel. On November 26, 2014, J&M purchased the distressed J&M Hotel building
5 for \$3,235,000 from a receivership. The purchase was funded by debt financing from other sources. The
6 building was vacant on the upper two floors, but there was a cafe and a card room located on the main floor.
7 The Respondents hoped to obtain entitlements within 9 to 12 months for developing a destination hotel with
8 48 guest rooms, retail space, a restaurant, coffee shop, meeting space, and lobby. The Respondents planned
9 to add two additional floors to the existing building. The planned development was projected to cost
10 approximately \$10 million. In 2016 and 2017, the Respondents obtained project reviews and a final approval
11 from the City of Seattle. However, to date, no construction has been started.

12 **Hotel Metropole Investment Offering**

13 8. From August 2015 through November 2015, the Respondents offered and sold LLC
14 membership interests in Metropole Capital Group LLC (“Metropole”) for approximately \$100,000 per unit.
15 The Respondents offered and sold LLC membership interests to approximately 12 investors, including at least
16 eight Washington investors, for a total of approximately \$1,240,000.

17 9. The investor funds were pooled together and were to be used for acquiring entitlements for the
18 development of the Hotel Metropole, a vacant building with extensive fire damage. On September 10, 2015,
19 Metropole purchased the distressed Hotel Metropole building for \$4,000,000. Of this amount, \$2,700,000
20 was seller financed and the remaining balance was funded by Metropole. The Respondents planned to obtain
21 entitlements within 12 months for developing a 24-room hotel, restaurant/bar, and rooftop deck. The planned
22 development was projected to cost approximately \$12 million. In 2016 and 2017, the Respondents obtained
23
24
25

1 project reviews and a preliminary approval from the City of Seattle. However, to date, no construction has
2 been started.

3 **Misleading Claims about Return on Investment**

4 10. When offering and selling the J&M and the Metropole membership interest investments, the
5 Respondents misleadingly represented that investors would receive a 20% annual return on their investments
6 and that investors would have the option to be repaid at the end of one year. However, the Respondents failed
7 to disclose that the return on investment would be dependent upon the success of the property development
8 ventures and that the Respondents did not have any funds reserved to repay the investors.

9 **Undisclosed Investment Risks**

10 11. When offering and selling the investments, the Respondents each failed to disclose material
11 risks of the J&M and the Metropole investments. The Respondents failed to disclose that there might be
12 inadequate capital to complete the entitlements. The Respondents failed to disclose that there might be no
13 market to purchase any completed entitlements. The Respondents failed to disclose the amount of dilution
14 if additional shares were issued to obtain additional capital for the planned development projects. The
15 Respondents failed to disclose the risk that the process for acquiring entitlements could have significant
16 delays and require significant development conditions and restrictions that could materially increase the
17 project costs and negatively affect the finished value of the projects.

18 12. The Respondents failed to disclose the risks associated with a mortgage foreclosure. The
19 Respondents failed to provide investors with a third-party property appraisal that supported the purchase
20 price for each of the buildings. The Respondents failed to provide an independent inspection report
21 describing the condition of each of the buildings. The Respondents failed to disclose that historic buildings
22 might have hidden defects, including, but not limited to, issues with mold, water quality, plumbing, heating,
23 ventilating, air conditioning, electrical systems, roof, communications, utilities, seismic safety, and
24
25

1 structural integrity. The Respondents failed to disclose that regulatory approvals might be conditioned upon
2 zoning and land use requirements, remediating environmental risks, and maintaining building safety
3 standards. The Respondents failed to disclose that limited parking availability and the quality of the
4 surrounding neighborhood might affect the development requirements and the probable success of each of
5 the planned hotels. The Respondents failed to disclose the litigation risks associated with real property
6 development projects. The Respondents failed to disclose the source and amount of any property, liability,
7 casualty and/or key person insurance coverage that was maintained, or the risks of not having adequate
8 insurance.

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

10 **CONCLUSIONS OF LAW**

11 1. The offer and/or sale of the LLC membership investments described above constitute the offer
12 and/or sale of a security as defined in RCW 21.20.005(14) and (17).

13 2. The Respondents each violated RCW 21.20.140 because, as set forth in the Findings of Fact,
14 the Respondents offered and sold securities for which no registration is on file with the Securities
15 Administrator.

16 3. The Respondents each violated RCW 21.20.010 because, as set forth in the Findings of Fact,
17 the Respondents made untrue statements of material fact or omitted to state material facts necessary to make
18 the statements made, in light of the circumstances in which they were made, not misleading.
19

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

21 **CONSENT ORDER**

22 IT IS AGREED AND ORDERED that Respondents Seneca Ventures, LLC and Kurt Fisher, their
23 agents and employees each shall cease and desist from any violation of RCW 21.20.140, the securities
24 registration section of the Securities Act of Washington.
25

1 IT IS FURTHER AGREED AND ORDERED that Respondents Seneca Ventures, LLC and Kurt
2 Fisher, their agents and employees each shall cease and desist from any violation of RCW 21.20.010, the anti-
3 fraud section of the Securities Act of Washington.

4 IT IS FURTHER AGREED AND ORDERED that Kurt Fisher shall be liable for and shall pay a fine
5 of \$750 on or before the entry of this Consent Order.

6 IT IS FURTHER AGREED AND ORDERED that Kurt Fisher shall be liable for and shall pay
7 investigative costs of \$750 on or before the entry of this Consent Order.

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

9 IT IS FURTHER AGREED that the Respondents Seneca Ventures, LLC and Kurt Fisher entered into
10 this Consent Order freely and voluntarily and with a full understanding of its terms and significance.

11 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, Seneca Ventures,
12 LLC and Kurt Fisher, each waive their right to a hearing and to judicial review of this matter pursuant to RCW
13 21.20.440 and Chapter 34.05 RCW.

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

15
16 Signed this _17th_____ day of ___October_____, 2017

17
18 Signed by:
19 Seneca Ventures, LLC

20 /s/ _____
21 Kurt Fisher
22 Managing Member

23 Signed by:
24 /s/ _____
25 Kurt Fisher, Individually

1 Approved as to form by:

2

3 /s/ _____
4 Joseph M. Campos, Attorney for Respondents
5 WSBA #25344

6

SIGNED and ENTERED this 19th day of October, 2017

7

8

9

10



William M. Beatty
Securities Administrator

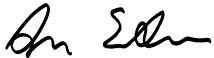
11

12

Approved by:

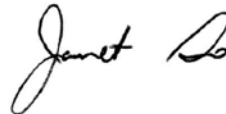
Presented by:

13



14

15



16

Suzanne Sarason
Chief of Enforcement

Janet So
Financial Legal Examiner

17

18

19

Reviewed by:

20



21

Robert Kondrat
Financial Legal Examiner Supervisor

22

23

24

25