STATE OF HAWAII

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

In the Matter of: LAWRENCE M. STOGDELL, HAUMEA FUNDING, LLC, HAUMEA HOLDINGS, LLC, L.A. ANUENUE, LLC, and L.A. ANUENUE HOLDINGS, LLC, Respondents.	Case No. SEU-2010-046 PRELIMINARY ORDER TO CEASE AND DESIST AND NOTICE OF RIGHT TO REQUEST A HEARING; EXHIBIT "A"

PRELIMINARY ORDER TO CEASE AND DESIST AND NOTICE OF RIGHT TO REQUEST A HEARING

I. STATEMENT OF APPLICABLE STATUTORY LAW

Pursuant to the authority granted by the Uniform Securities Act (Modified), Hawaii Revised Statutes ("HRS") Chapter 485, and its successor, the Uniform Securities Act, HRS Chapter 485A,[1] the rules and orders adopted thereunder, and other applicable authority, the Commissioner of Securities of the State of Hawaii ("Commissioner"), by and through the Securities Enforcement Branch, Department of Commerce and Consumer Affairs, State of Hawaii ("SEB"), has conducted an investigation into the activities of respondents Lawrence M. Stogdell; Haumea Funding, LLC; Haumea Holdings, LLC; L.A. Anuenue, LLC; and L.A. Anuenue Holdings, LLC (collectively, "Respondents"), to determine if they have

[1] The Uniform Securities Act (Modified) codified as HRS Chapter 485 was repealed and replaced with the Uniform Securities Act codified as HRS Chapter 485A, effective July 1, 2008. HRS Chapter 485 governs all actions instituted on the basis of conduct occurring before July 1, 2008. HRS Chapter 485A governs all actions instituted on the basis of conduct occurring on or after July 1, 2008. HRS § 485A-701(a).

engaged in or are about to engage in any act or practice constituting a violation of HRS Chapter 485 or HRS Chapter 485A, or any rule or order adopted thereunder.

Based upon the information revealed during the investigation, the Commissioner has reasonable cause to believe that the Respondents have violated HRS Chapters 485 and 485A as follows:

II. STATEMENT OF JURISDICTION

The Commissioner has jurisdiction over this matter because it involves securities-related activities subject to HRS Chapters 485 and 485A.

III. PRELIMINARY FINDINGS OF FACT

A. Respondents

1. Lawrence M. Stogdell ("Stogdell") is an individual who was a resident of Hawaii at all relevant times herein.

2. Haumea Funding, LLC ("Haumea Funding") is a domestic limited liability company registered in Hawaii on October 9, 2007, listing Stogdell as its manager.

3. Haumea Holdings, LLC ("Haumea Holdings") is a domestic limited liability company registered in Hawaii on October 16, 2007, listing its sole member as L.A. Anuenue Holdings, LLC.

4. L.A. Anuenue Holdings, LLC ("Anuenue Holdings") is a domestic limited liability company registered in Hawaii on October 11, 2007, managed by Stogdell.

5. L.A. Anuenue, LLC ("Developer Anuenue"), is a domestic limited liability company registered in Hawaii on November 25, 2003, listing its purpose as real estate and commercial developments. Developer Anuenue is a member-managed LLC, listing Stogdell as one of two members.

6. Stogdell manages the respondent companies Haumea Funding, Developer Anuenue, and Anuenue Holdings. Stogdell manages respondent Haumea Holdings through his management of its sole member, Anuenue Holdings.

B. The Haumea Project

7. In or around late 2007, Stogdell, through Haumea Holdings, began advertising the development of a mixed-use office and retail commercial project in Kapolei (the "Haumea Project"). The Haumea Project's location was slated for three lots in Kapolei. The Haumea Project was to be developed by Developer Anuenue.

8. Initially, the Haumea Project was called the "Haumea Professional Center." In or around December 2009, the name changed and the prospective building became referred to as the "Aloha Pacific Center."

9. On or about December 7, 2007, Haumea Holdings entered into a 40-year ground lease with a local company for two lots on Haumea Street in Kapolei ("Lots 1 and 2"). On March 14, 2008, Haumea Holdings entered into a 40-year ground lease with another local company for a third lot adjacent to Lots 1 and 2 ("Lot 3").

10. Haumea Holdings created a real estate investment brochure ("Investment Brochure") advertising that it was seeking investors in the Haumea Project for 6- or 12-month investment terms, in return for an interest rate of 11% or 13% respectively, plus a 5-20% annual return in "profit sharing." The Investment Brochure was revised for different "phases" of investment. After the renaming of the Aloha Pacific Center, the Investment Brochure was revised advertising the terms of the investment as a 15% or 25% "(simple interest)" annual rate of return.

11. The Investment Brochure was revised several times. All revisions of the Investment Brochure stated that capital investments in the Haumea Project were "secured by ownership of Ground Lease" in Kapolei and backed by the company guarantees of Developer Anuenue, which "has the necessary capacity for the guaranties" because of "its known profits and fee structure, along with its other current assets to which include real estate."

12. Commencing in or around October 2007, Respondents began soliciting investors to raise capital for the Haumea Project development through promotional activities, including but not limited to: presentations for potential investors, circulation of Investment Brochures, and meetings with investors at the proposed project site in Kapolei.

C. Investments in the Haumea Project

13. Between approximately October 12, 2007 and October 11, 2011, Haumea Funding and Haumea Holdings received a total of $2,323,000.00 in investment funds ("Haumea Investments") from 45 investors (collectively, the "Investors"), to develop the Haumea Project. A list of the Investors and their respective investment amounts is attached hereto as Exhibit "A," and incorporated herein by reference.

14. From around October 12, 2007 through October 11, 2011, Haumea Funding received $2,023,000.00 in funds from 43 Investors purchasing Haumea Investments. From June 13, 2011 through July 13, 2011, Haumea Holdings received $300,000.00 in funds from two Investors purchasing Haumea Investments.

15. In an effort to find and obtain investors in the Haumea Project, Haumea Funding entered into a "Mandate and Fee Agreement" on March 24, 2008, with Hawaii company WealthBridge Real Estate LLC ("WealthBridge"), naming WealthBridge as its "agent" for the purpose of obtaining funding for the Haumea Project. WealthBridge is a member-managed

limited liability company, managed by its member David S.Y. Chang ("Chang"). Chang, on behalf of WealthBridge, executed the agreement with Haumea Funding. WealthBridge and Chang received commissions for the sale of Haumea Investments.

16. The Investors received promissory notes issued by either Haumea Funding or Haumea Holdings promising to repay within one year their principal along with interest and profit sharing, varying from 25% to 63% of their investments.

17. The promissory notes made by Haumea Funding were signed by Stogdell, as its manager. Attached to the Haumea Funding promissory notes and incorporated into the terms of each of the Haumea Funding promissory notes was a "Guaranty." The Guaranty pledged that the Haumea Funding promissory notes were guaranteed by Developer Anuenue. Stogdell signed each "Guaranty" attached to the Haumea Funding promissory notes.

18. The two promissory notes made by Haumea Holdings were signed by Stogdell, as its "manager." The manager of Haumea Holdings is Anuenue Holdings, which is managed by Stogdell. Attached to the Haumea Holdings promissory notes and incorporated into the terms of the two Haumea Holdings promissory notes was a "Guaranty." The Guaranty pledged that the Haumea Holdings promissory notes were personally guaranteed by Stogdell. Stogdell signed each "Guaranty" attached to the Haumea Holdings promissory notes.

19. The Investors did not intend to have nor did they receive, practical or actual control over the management of the Haumea Project development.

20. At no time, from October 12, 2007 to present, were the Haumea Investments registered as securities in Hawaii.

21. At no time, from October 12, 2007 to present, were WealthBridge or Chang registered as salespersons, agents, dealers, or broker-dealers in Hawaii.

D. Ground Lease and Financial Liabilities of Haumea Holdings, Developer Anuenue, and Stogdell

22. The Haumea Investments were purportedly "secured by ownership of Ground Lease" and guaranteed either by Developer Anuenue or Stogdell personally. Respondents were challenged by financial liabilities prior to and throughout the time that the Haumea Investments were sold, including, but not limited to:

a. On or around October 22, 2007, Developer Anuenue and Stogdell defaulted on a promissory note issued on October 31, 2006. Developer Anuenue had issued the promissory note in the amount of $290,000.00 that was personally guaranteed by Stogdell. The note promised to repay the $290,000.00, plus 15% interest, to the payee by October 22, 2007, for a previous unsuccessful real estate business enterprise;

b. On September 14, 2007, a foreclosure action was filed against Stogdell, Developer Anuenue, and others. A decree of foreclosure was filed on November 13, 2007, and on February 23, 2009, a $993,468.50 deficiency judgment was entered against Stogdell and Developer Anuenue.[2] The subject property was listed in the Investment Brochure as one of Developer Anuenue's past development projects, stating that the foreclosed property had been "sold," rather than the subject of a foreclosure action; and

[2] JMS Capital Management, Inc. v. L.A. Anuenue, LLC, Civil No. 07-1-1699.

c. On September 9, 2008, a separate foreclosure action was filed against Stogdell, Developer Anuenue, and others. This foreclosure was granted on March 23, 2009. The subject property of this foreclosure was listed in the Investment Brochure as one of Developer Anuenue's development projects. This property was the residence of Stogdell. A $1,916,505.38 deficiency judgment was entered against Stogdell and Developer Anuenue on December 30, 2009.[3]

23. Beginning in early 2009, Haumea Holdings fell behind on its ground lease payments for Lots 1 and 2 on Haumea Street upon which the Haumea Professional Center (nka Aloha Pacific Center) was to be built. In July 2011, the lessor verbally cancelled the ground lease having not received a lease payment since July 2009. At the time of cancellation, Haumea Holdings owed $656,502.35 in back rent and fees. On December 21, 2011, Haumea Holdings and lessor executed a formal "Agreement to Cancel Ground Lease."

24. Beginning with the first payment which was due on September 14, 2009, Respondents failed to make any payments on the 2008 ground lease for Lot 3. On January 3, 2011, a complaint was filed against Haumea Holdings, Developer Anuenue, and Stogdell for breach of the ground lease. A judgment of possession and default judgment in the amount of $429,160.76 was entered against them on April 11, 2012.

25. In or around 2009, during the same time period that Respondents became delinquent on their ground lease payments, the Haumea Professional Center was renamed the Aloha Pacific Center. The Investors were sent a newsletter dated December 11, 2009, alleging

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[3] Wannheden v. L.A. Anuenue, LLC, Civil No. 08-1-1826-09.

that the reason for the name change was the commitment of Aloha Pacific Credit Union to purchase four units in the project. Respondents did not disclose to the Investors that Respondents were in arrears on their ground lease payments for the Haumea Street Lots 1 and 2 or their failure to make any ground lease payments for Lot 3.

26. Respondents failed to disclose at any time to investors solicited and/or sold Haumea Investments: the defaulted promissory note against Stogdell and Developer Anuenue for a previous real estate business enterprise; the foreclosures and deficiency judgments against Stogdell and Developer Anuenue; Respondents' failure to make payments on the ground leases which purportedly secured the Haumea Investments; cancellation of the ground lease for Lots 1 and 2; and/or the lawsuit against Haumea Holdings, Developer Anuenue, and Stogdell for breach of the ground lease on Lot 3.

27. As the promissory notes for their Haumea Investments became due, the Investors were asked by Respondents to extend, or "roll over," their investments for another year and were promised that interest would continue to accrue on their investments. Upon request, only a very few of the early Investors were repaid all or some of their investment funds and interest.

28. Most of the Investors have not been repaid their principal and interest as promised. Respondents continue to send the Investors requests to extend their investments while promising to continue accruing interest.

29. Respondents continue to send newsletter updates to Investors describing various obstacles and excuses why the Haumea Project has not been completed. A newsletter dated June 6, 2017, was sent to the Investors claiming that the project was "recently approved for the investment/loan"; however, while the alleged investment group was in the midst of "clearing all

the security checkpoints along the way to our account," there was a "confusion in the documents" which "instantly stopped the funds from arriving to us."

30. To date, the Haumea Project, now known as the Aloha Pacific Center, is still being advertised in sales materials, including internet listings to rent or purchase units in the project. However, Respondents no longer own any interest in the ground lease(s) to build on the property identified as the project site, nor has any construction begun.

IV. PRELIMINARY CONCLUSIONS OF LAW

1. The facts and allegations in paragraphs 1 through 30, inclusive, are realleged and incorporated herein as if set forth verbatim.

2. The Haumea Investments are "securities" in the form of investment contracts as defined in HRS §§ 485-1(13) and 485A-102, and other applicable authority, and were required to be registered or appropriately exempted from registration by the Office of the Commissioner under HRS Chapters 485 and 485A.

3. The Haumea Investments are not now nor have they ever been registered as securities in Hawaii.

HRS Chapter 485 Violations

4. Stogdell, Haumea Funding and Developer Anuenue violated HRS § 485-8 by selling or offering to sell, unregistered securities in the state of Hawaii prior to July 1, 2008.

5. Stogdell, Haumea Funding and Developer Anuenue's actions in connection with offering for sale and/or selling the above-described securities constitute securities fraud, in violation of HRS § 485-25, in one or more of the following particulars:

a. Stogdell, Haumea Funding and Developer Anuenue employed a device, scheme, and/or artifices to defraud, in violation of HRS § 485-25(a)(1);

b. Stogdell, Haumea Funding and Developer Anuenue made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation of HRS § 485-25(a)(2); and/or

c. Stogdell, Haumea Funding and Developer Anuenue engaged in acts, practices, or a course of business that operated or would operate as a fraud or deceit upon persons in violation of HRS § 485-25(a)(3).

HRS Chapter 485A Violations

6. Respondents violated HRS § 485A-301 by selling or offering to sell, unregistered securities in the state of Hawaii after June 30, 2008.

7. While offering and selling securities, Respondents employed an unregistered agent in violation of HRS § 485A-402(d).

8. Respondents' actions in connection with offering for sale and/or selling the above-described securities constitute securities fraud, in violation of HRS § 485A-501, in one or more of the following particulars:

a. Respondents employed a device, scheme, and/or artifices to defraud, in violation of HRS § 485A-501(a)(1);

b. Respondents made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, in violation HRS § 485A-501(a)(2); and/or

c. Respondents engaged in acts, practices, or a course of business that operated or would operate as a fraud or deceit upon another person, in violation of HRS § 485A-501(a)(3).

V. PRELIMINARY ORDER TO CEASE AND DESIST

NOW THEREFORE, pursuant to HRS §§ 485-18.7 and 485A-604, because of the foregoing findings and conclusions and because it appears that Respondents may engage in acts or practices in violation of HRS Chapter 485A and because it is found that this action is necessary and in the public interest for the protection of investors, IT IS HEREBY ORDERED that:

1. Respondents shall CEASE AND DESIST from making any offer to sell, solicitation to purchase, or sale of the Haumea Investments within, to, or from the state of Hawaii;

2. The sale of the Haumea Investments by Respondents to the Investors are hereby RESCINDED effective immediately. Respondents, jointly and severally, as to the sale of the Haumea Investments, shall REFUND to Investors, and all similarly situated investors, all monies paid, less any amounts already refunded. The list of Investors to whom refunds shall be made are identified in Exhibit "A." These refund payments shall be paid within thirty (30) days of the date of the Commissioner's final order ("Final Order"). Proof of refund payments to Investors shall be provided to the Securities Enforcement Branch;

3. Respondents are PERMANENTLY BARRED from acting as broker-dealers, agents, investment advisers, and/or investment adviser representatives as defined in HRS Chapter 485A or the equivalent under any successor statute from the date of the Final Order, and from applying for registration in the state of Hawaii as broker-dealers, agents, investment

advisers, and/or investment adviser representatives from the date of the Final Order under HRS Chapter 485A or the equivalent under any successor statute;

4. Respondents shall be jointly and severally liable to pay the State of Hawaii, Department of Commerce and Consumer Affairs, Business Registration Division, a PENALTY in the sum of FIVE HUNDRED THOUSAND AND NO/100 DOLLARS ($500,000.00). Payment of this penalty shall be made by cashier's check, bank draft, money order, or certified check; made payable to the "Department of Commerce and Consumer Affairs Compliance Resolution Fund" and delivered to the Securities Enforcement Branch at 335 Merchant Street, Suite 205, Honolulu, Hawaii, 96813 within thirty (30) days of the date of the Final Order;

5. The imposition of this Preliminary Order shall not preclude or prevent in any way the imposition of further sanctions or other actions against Respondents or any other party for past or future violations of HRS Chapter 485, HRS Chapter 485A, or any successor statute.

NOTICE OF RIGHT TO REQUEST A HEARING

YOU ARE HEREBY NOTIFIED that pursuant to HRS § 485A-604, you may request a hearing on this matter within thirty (30) days after the date of service of this Preliminary Order. Your request must be in writing and addressed to the following: Office of Administrative Hearings ("OAH"), Department of Commerce and Consumer Affairs, 335 Merchant Street, Suite 100, Honolulu, Hawaii, 96813.

A copy of your request must be served upon the Securities Enforcement Branch, Department of Commerce and Consumer Affairs, State of Hawaii, P.O. Box 40, Honolulu, Hawaii, 96810. If a hearing is requested, it shall be scheduled within fifteen (15) business days

after your written request has been received by OAH unless extended by the Commissioner for good cause.

If OAH does not receive a written request for hearing within thirty (30) days after the date of service of this Preliminary Order and none is ordered by the Commissioner, this Preliminary Order shall become the Final Order of the Commissioner by operation of law pursuant to HRS § 485A-604(b).

You are hereby further notified that pursuant to Hawaii Administrative Rules § 16-201-23, you may move the Commissioner to reconsider the Final Order within ten (10) days after receiving the Final Order. Your motion shall be filed with the Commissioner and shall state specifically what points of law or facts the Commissioner has overlooked or misunderstood together with brief arguments on the points raised.

Additionally, pursuant to HRS § 485A-609, you may file an appeal with the Circuit Court of the First Circuit of the State of Hawaii in the manner provided in HRS Chapter 91.

You have the right to retain legal counsel, at your own expense, for all stages of these proceedings.

DATED: Honolulu, Hawaii, SEP 27 2017.

CATHERINE P. AWAKUNI COLÓN
for Commissioner of Securities
Department of Commerce and Consumer Affairs
STATE OF HAWAII