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BRYAN K. BROWN
MEMBER

SSB Docket No. 03-043

**IN THE MATTER OF
NATIONAL CD BROKERS AKA NCDB;
PHIL HEAD; HARRIS I. STRONG
AND RITA BRYCHTA**

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§
§
§

Order No. CDO-1540

**TO: National CD Brokers aka NCDB
9219 Katy Freeway, Suite 220
Houston, Texas 77024**

**Phil Head
9219 Katy Freeway, Suite 220
Houston, Texas 77024**

**Harris I. Strong
9219 Katy Freeway, Suite 220
Houston, Texas 77024**

**Rita Brychta
9219 Katy Freeway, Suite 220
Houston, Texas 77024**

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. National CD Brokers aka NCDB ("Respondent NCDB") purports to be a "division of Capitol Estate Services" with a business address of 9219 Katy Freeway, Suite 220, Houston, Texas 77024.

2. Phil Head, Harris I. Strong, and Rita Brychta are representatives of Respondent NCDB, whose last known business address is the same as Respondent NCDB.
3. Respondents, from their offices at 9219 Katy Freeway, Suite 220, Houston, Texas 77024, have offered for sale securities in Texas through advertisements in newspapers of general circulation, to wit:
 - a. In May, 2003, a series of advertisements appeared in the *Houston Chronicle* which stated: "NCDB Safety Security Service FDIC INSURED CD'S 3.50% 12 Month Bonus CD \$10,000 Minimum Subject to Availability Monthly Income & IRA Specialist 713-464-1221 9219 Katy Freeway, #220 Houston, TX 77024."
 - b. In June, 2003, an advertisement appeared in the *Senior News* which stated: "NCDB FDIC INSURED CD'S 3.25% 12 Month CD Annual Percentage Yield Reflects a Bonus Higher Yields for IRA, 401K, 403(b) Transfers & Rollovers are available Ask about our monthly income plans \$10,000 Minimum Deposit FDIC Insured Certain Restrictions Apply Subject to Availability 713-464-1221 ext. 11075 24 hour recorded message Safety Security Service."
 - c. Around or about July and August, 2003, advertisements appeared in the *Senior News* which stated: "Lost Your Shirt in the market? *WE FOUND IT!* up to 13% first year APY Higher Yields for IRA, 401K, 403(b) Transfers & Rollovers are available Ask about our monthly income plans Low CD Rates Have you tightening your belt? *We Can Loosen It for You!* up to 5% first year APY 3% Guarantee Insured to \$100,000 Interest can be drawn Monthly, Quarterly, or Annually 713-464-1221 ext. 11075 24 hour recorded message Safety Security Service."
4. Respondent Head has advised the Texas State Securities Board that Respondent NCDB offered a "cash promotion" to "attract new clients." Respondent Head further stated that Respondent NCDB "places clients with FDIC insured banks." Respondent Head provided an example of the "cash promotion": "If the client deposits \$10,000 with a bank we have located, the actual rate may be 2.22% for one year. We make up the difference to 3.25% out of our pocket (approximately \$100 to \$130) to secure the higher rate."
5. Respondents NCDB and Head intentionally failed to disclose the material fact that on May 19, 2003, Respondent Head filed a petition for Chapter 11 Bankruptcy in the U.S. Bankruptcy Court for the Southern District of Texas, Cause No. 03-37291-H1-11, in which he listed assets of \$956,500.00 and liabilities of \$1,232,883.08.
6. Respondents NCDB and Head intentionally failed to disclose the material fact that on or about July 29, 2003, the Iowa District Court for Polk County, Iowa, in Equity No. CV 4204, styled State of Iowa v. Phillip Head; Guardian Group of America, Inc.; RPH International, Ltd.; Kathleen McGregor; and Scott McGregor, issued a Consent

Judgment pursuant to the Iowa Consumer Fraud Act restraining and enjoining defendants from soliciting in the State of Iowa or directing towards Iowa consumers transactions involving a timeshare.

7. For the period from June 1, 1998, to the present, Respondents have not been registered to offer or sell securities or to render investment advice in Texas.

CONCLUSIONS OF LAW

1. The above-referenced investments offered by Respondents are "securities" as that term is defined in Section 4.A of The Securities Act, to wit; evidences of indebtedness.
2. Respondents are acting as "dealers" or "agents" as those terms are defined in Sections 4.C and 4.D of The Securities Act.
3. Respondents violated Section 7 of The Securities Act by offering securities for sale in Texas without the securities being registered pursuant to the provisions of Section 7 of The Securities Act.
4. Respondents violated Section 12 of The Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of The Securities Act.
5. Respondents NCDB and Head have engaged in fraud in connection with the offer for sale of securities.
6. Respondents' conduct, acts and practices threaten immediate and irreparable harm to the public.
7. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from acting as securities agents or dealers in Texas until they are registered and/or from offering securities in Texas until the securities have been registered or an available exemption from registration is utilized.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in fraud in connection with offering for sale and selling securities in Texas.

NOTICE

Under Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request

to set aside and modify the order. Failure to request a hearing will result in the order becoming final and nonappealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000, or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 23rd day of September, 2003.



DENISE VOIGT CRAWFORD
Securities Commissioner