

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER

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Texas State Securities Board

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SSB Docket No. 02-38

IN THE MATTER OF
DAVID HENRY DISRAELI DBA
DISRAELI AND ASSOCIATES

§
§
§

Order No. CDO-1504

TO: David Henry Disraeli DBA Disraeli and Associates
701 Brazos Street, Suite 500
Austin, Texas 78701

CEASE AND DESIST ORDER

Be it remembered that David Henry Disraeli DBA Disraeli and Associates ("Respondent Disraeli") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and, without admitting or denying the Findings of Fact or Conclusions of Law except as referenced below, consented to the entry of this Order, the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent Disraeli has waived (a) Respondent Disraeli's rights to notice and a hearing in this matter; (b) Respondent Disraeli's rights to appear and present evidence in this matter; (c) Respondent Disraeli's right to appeal this Order; and (d) all other procedural rights granted to Respondent Disraeli by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003) ("Texas Securities Act"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon Supp. 2003) ("Administrative Procedure Act").
2. Respondent Disraeli is an individual with the address of 701 Brazos Street, Suite 500, Austin, Texas 78701.
3. On or about August 7, 2002, the United States Department of the Treasury, Internal Revenue Service, filed a Notice of Federal Tax Lien in Travis County, Texas that provided notice of a lien in favor of the United States on all property and rights to property belonging to Respondent Disraeli for unpaid taxes and any additional penalties, interest and costs that may accrue. This Notice of Federal Tax Lien

indicated that Respondent Disraeli failed to pay Federal Income Tax in the amount of \$24,546.67 for the tax period ending December 31, 1999, and in the amount of \$14,838.25 for the tax period ending December 31, 2000.

4. During and about October, 2002, Respondent Disraeli caused the Austin American-Statesman to carry an advertisement that read in part: "Find out how you can earn high, tax-sheltered cash returns by investing in professionally managed senior housing communities. Investments range from \$50,000 to \$5,000,000. Call David Disraeli now for your free report." This advertisement included a telephone number for responses.
5. During and about October, 2002, at least one Texas resident (the "Offeree") contacted the telephone number scheduled within the advertisement and spoke with Respondent Disraeli. Respondent Disraeli identified himself to the Offeree as an "investment adviser" and described Charterhouse as a proposed retirement community consisting of ten residential buildings that would be leased to senior citizens or other retired persons. Respondent Disraeli further informed the Offeree that Venture Interests, Inc. was a "partner" in or of Charterhouse.

Respondent Disraeli made available to the Offeree an opportunity to purchase an interest in Charterhouse (a "Charterhouse Interest") for the turnkey price of \$495,000.00. Respondent Disraeli informed the Offeree that a Charterhouse Interest represented an interest in one of the ten proposed residential buildings and that a Charterhouse Interest would entitle the Offeree to share in a pro rata portion of the profits attributable to the rental of all ten residential buildings without regard to the profitability of any one particular residential building. Respondent Disraeli further informed the Offeree that an independent entity would at all times be responsible for the management of Charterhouse and that the Offeree would remain entirely passive in regard thereto.

6. Respondent Disraeli referred the Offeree to the Internet website accessible at <http://www.charterhousehsb.com> (the "Charterhouse Website") during the aforementioned telephone conversation. The Charterhouse Website contained sales material that described Charterhouse as a "First Class Retirement Community" and a "Unique Investment Opportunity" that would be managed by an independent entity. The Charterhouse Website identified Respondent Disraeli and Venture Interests, Inc., as principals of Charterhouse, referred to Respondent Disraeli as an "independent investment advisor" and indicated that "[i]n 1994, Disraeli and Associates became registered as an investment advisor with the Securities and Exchange Commission and The State of Texas."

The Charterhouse Website also indicated that investors that purchased a Charterhouse Interest may be able to defer any and all tax liability associated with the Charterhouse Interest through a "like kind" exchange of real estate pursuant Section 1031 of the Internal Revenue Code. The Charterhouse Website noted that "[i]n this way, wealthy people have accumulated fortunes tax-free" and that "[i]n real estate the payment of gains is done when and if an investor chooses."

7. Respondent Disraeli sent, or caused to be sent, written sales materials to the Offeree. These sales materials purported to be copyrighted by Venture Interests, Inc., and contained therein reproductions of those materials accessible at the Charterhouse Website. The sales materials referred to both Venture Interests, Inc., and Respondent Disraeli as principals of Charterhouse and further indicated that “[i]n 1994, Disraeli and Associates became registered as an investment advisor with the Securities and Exchange Commission and The State of Texas.” The written sales materials again referenced Section 1031 of the Internal Revenue Code and noted that the structure of the Charterhouse Interests “allows each investor to participate in Tax Free exchanges.”
8. From at least January 1, 2001, to during or about November, 2002, Respondent Disraeli actively exercised discretionary authority over and in regard to approximately seventeen securities accounts held by investors through TD Waterhouse Institutional Services, Inc. These accounts were collectively valued at approximately \$4,000,000.00 and Respondent Disraeli received in excess of \$70,000.00 for the management thereof from January 1, 2001, through October 30, 2002.
9. The Charterhouse Interests have not been registered by qualification, notification or coordination and no permit has been granted for their sale within Texas.
10. Respondent Disraeli was registered as an investment adviser with the Securities Commissioner from March 16, 1999, through December 31, 2000, but this registration was terminated for failure to renew. Respondent Disraeli has not been registered or notice-filed with the Securities Commissioner as an investment adviser from on or about January 1, 2001, through the present. Respondent Disraeli has been registered with the Securities Commissioner as an agent of James Wheeler & Co. Investments, Inc., from on or about March 29, 2001, through the present. The Securities Board has received notice that Respondent Disraeli is no longer employed by James Wheeler & Co. Investments, Inc., as of October 31, 2002.
11. Respondent Disraeli failed to disclose the aforementioned Federal Tax Lien during or through the oral sales presentation, written sales materials and the Charterhouse Website.
12. Respondent Disraeli made statements that indicated that he was an investment adviser during or through the oral sales presentation, written sales materials, and the Charterhouse Website that are misleading in light of the fact that Respondent Disraeli has not been registered or notice-filed as an investment adviser with the Securities Commissioner from on or about January 1, 2001, through the present.
13. On November 6, 2002, the Deputy Securities Commissioner of the State of Texas issued Emergency Cease and Desist Order CDO-1483, SSB Docket No. 02-38 (the “Emergency Order”), against Respondent Disraeli based on the conduct, events and circumstances identified above. The Emergency Order has continued in force and

effect from November 6, 2002, through the date that this Order is entered by the Securities Commissioner.

14. By executing this Order and upon entry of the Order by the Securities Commissioner, Respondent Disraeli agrees that his request for a hearing on the Emergency Order is withdrawn and non-appealable and that he will not oppose dismissal of the proceeding from the docket of the State Office of Administrative Hearings.
15. Respondent Disraeli agrees that this Order shall be admissible to prove the facts stated herein in any state proceeding brought by or on behalf of the Securities Board.

CONCLUSIONS OF LAW

1. The Charterhouse Interests are investment contracts and are therefore "securities" as that term is defined in Section 4.A of the Texas Securities Act.
2. Respondent Disraeli engaged in the offer for sale of the above-described securities in Texas as the term "offer for sale" is defined in Section 4.E of the Texas Securities Act.
3. Respondent Disraeli violated Section 7 of the Texas Securities Act by offering for sale the above-described securities in Texas at a time when the securities were not registered with the Securities Commissioner.
4. Respondent Disraeli made an offer for sale of securities in Texas that contains a statement that is materially misleading or otherwise likely to deceive the public by failing to disclose the aforementioned Notice of Federal Tax Lien.
5. Respondent Disraeli made an offer for sale of securities in Texas that contains a statement that is materially misleading or otherwise likely to deceive the public through statements that represented that Respondent Disraeli was an investment adviser at a time when Respondent Disraeli was neither registered nor notice-filed with the Securities Commissioner pursuant to Section 12 or Section 12-1 of the Texas Securities Act.
6. Respondent Disraeli has rendered services as an "investment adviser" in Texas as that term is defined in Section 4.N. of the Texas Securities Act.
7. Respondent Disraeli has violated Section 12 of the Texas Securities Act by rendering services as an investment adviser when Respondent Disraeli was neither registered nor notice-filed with the Securities Commissioner pursuant to Section 12 or Section 12-1 of the Texas Securities Act.
8. The foregoing violations constitute bases for the issuance of a Cease and Desist Order pursuant to Section 23 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondent Disraeli immediately CEASE AND DESIST from offering the above-described securities in Texas until the securities have been registered with the Securities Commissioner or an available exemption is utilized.
2. It is further ORDERED that Respondent Disraeli immediately CEASE AND DESIST from offering the above-securities in Texas through the use of an offer containing a statement that is materially misleading or otherwise likely to deceive the public.
3. It is further ORDERED that Respondent Disraeli immediately CEASE AND DESIST from rendering services as an investment adviser in Texas until Respondent Disraeli is registered or notice-filed with the Securities Commissioner or an available exemption is utilized.
4. It is further ORDERED that Emergency Cease and Desist Order CDO-1483, SSB Docket No. 02-38, is set aside.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 2nd day
of April, 2003.


DENISE VOIGT CRAWFORD
Securities Commissioner

Respondent:

David Henry Disraeli
DBA Disraeli and Associates

A handwritten signature in black ink, appearing to read "David Disraeli", written over a horizontal line.

By: David Henry Disraeli

Approved as to Form:

A handwritten signature in black ink, appearing to read "D Grauer", written over a horizontal line.

David Grauer
Director
Enforcement Division

ACKNOWLEDGMENT

On the 2nd day of April, 2003, David Henry Disraeli DBA Disraeli and Associates ("Respondent Disraeli") appeared before me and executed the foregoing Order, and acknowledged that:

1. Respondent Disraeli has read the foregoing Order;
2. Respondent Disraeli has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Disraeli knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent Disraeli, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

Artie F. Doss
Notary Public in and for
the State of Texas

My commission expires on: 2-7-06