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## Texas State Securities Board

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BETH ANN BLACKWOOD  
MEMBER

IN THE MATTER OF §  
NATIONAL PRIVATE MORTGAGE §  
SERVICES, INC., AKA NPMS, INC. AND §  
HENRY J. NOVAK §

Order No. ENF-04-CDO-1567

TO: National Private Mortgage Services, Inc., aka NPMS, Inc.  
4412 Spicewood Springs Road, Suite 402  
Austin, Texas 78755

Henry J. Novak  
4412 Spicewood Springs Road, Suite 402  
Austin, Texas 78755

### 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. 2004) ("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 Private Mortgage Services, Inc., aka NPMS, Inc. ("Respondent NPMS") and Henry J. Novak ("Respondent Novak") (collectively "Respondents") maintain a last known business address at 4412 Spicewood Springs Road, Suite 402, Austin, Texas 78755.
2. Respondents are offering for sale in Texas, through a generally accessible Internet website (www.npmsinc.com) and radio advertisements, a real estate investment program. In the program, investors' funds are loaned to third parties for a pre-determined period of time for the purpose of purchasing and improving real estate. Investors purportedly receive a fixed 13.5% return on their investment at the end of the loan period.

3. The investment program has not been registered by qualification, notification, or coordination and no permit has been granted for its sale in Texas.
4. Respondents have not been registered with the Securities Commissioner as dealers or agents at any time material hereto.
5. In connection with the offer for sale of the above-described investment program, Respondents intentionally failed to disclose the following material facts:
  - a. On or about January 12, 1998, Respondent Novak filed a voluntary petition in the U.S. Bankruptcy Court Western District of Texas, in Cause Number 9754774, under Chapter 7 of the U.S. Bankruptcy Code. Respondent Novak listed assets of \$1,190.00 and liabilities of \$74,716.72, such liabilities including unpaid income taxes of \$50,039.72 for tax years 1988, 1989, 1990, 1991, and 1992.
  - b. Respondent Novak and/or companies or entities controlled by Respondent Novak have been subject to a state tax lien in Travis County, filed February 4, 2004, in the amount of \$4,309.00.
  - c. The following risks associated with the investment program:
    - i. the investment could be affected by adverse economic and market conditions, environmental, and regulatory changes;
    - ii. problems associated with the development and construction of properties may result in delays, increased costs, and/or an inability of Respondent to make timely principal and interest payments to investors;
    - iii. potential conflicts of interest that exist while Respondent Novak is acting in the capacity of trustee, president of Respondent NPMS, and as a salesman of the investment program;
    - iv. Respondent NPMS's short operating history; and
    - v. the borrower suffering property damage or other losses that are not covered by insurance or that are in excess of insurance coverage limits.
  - d. Information regarding the assets, liabilities, profits, losses, cash flow, and other financial data of Respondent NPMS sufficient to enable a prospective investor to make an informed decision regarding the risks associated with the offering.

## CONCLUSIONS OF LAW

1. The above-described investment program is a "security" as that term is defined by Section 4.A of the Texas Securities Act.
2. Respondents are violating Section 7 of the Texas Securities Act by offering securities for sale in Texas at a time when the securities are not registered with the Securities Commissioner.
3. Respondents are violating Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
4. Respondents are engaging in fraud in connection with the offer for sale of securities.
5. Respondents' conduct, acts, and practices threaten immediate and irreparable public harm.
6. 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 offering for sale any security in Texas until the security is registered with the Securities Commissioner or is offered for sale pursuant to an exemption from registration under the Texas Securities Act.
2. It is further ORDERED that Respondents immediately CEASE AND DESIST from acting as securities dealers or agents in Texas until Respondents are registered with the Securities Commissioner or are acting pursuant to an exemption from registration under the Texas Securities Act.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from engaging in any fraud in connection with the offer for sale of any security in Texas.

## NOTICE

Pursuant to 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, and state the grounds for the request to set aside or modify the Order. Failure to request a hearing will result in the Order becoming final and non-appealable.

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 10<sup>th</sup> day of August, 2004.



DENISE VOIGT CRAWFORD  
Securities Commissioner