

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
 )  
DBSI, INC. ) ADMINISTRATIVE ORDER  
DOUGLAS L. SWENSON ) NO. CO - 2011 - 0012  
LESLIE M. PAPPAS )  
MICHAEL MCKENZIE )  
 )  
RESPONDENTS )

**CONSENT ORDER**  
**AS TO LESLIE M. PAPPAS ONLY**

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act ("Act"), upon due consideration of the subject matter hereof, has determined as follows:

**RESPONDENTS**

1. DBSI, INC. ("DBSI"), CRD # 11687, is an Idaho based Company with a business address of 12426 W. Explorer Drive, Suite 220, Boise, Idaho.

2. LESLIE PAPPAS ("PAPPAS"), CRD# 1735372, during all times relevant to this order, PAPPAS was a registered real estate agent with Coldwell Banker with a business address of 656 Palm Avenue, Los Altos, California 94022.

**STATEMENT OF FACTS**

3. From July 12, 1979, until March 11, 2009, DBSI Securities Corporation (a DBSI affiliate) was registered with FINRA as a Broker Dealer. DBSI is affiliated with other companies, including an entity referred to as FOR 1031, LLC ("FOR 1031"), all of which were in effect, controlled by Douglas L. Swenson.

4. In 2002, the United States Internal Revenue Service established a rule

allowing investors in investment real estate to sell property and defer paying income tax, as it pertains to the appreciation, by purchasing another "like-kind" investment property. This transaction is known as a 1031 exchange, named after the United States Internal Revenue Code (26 U.S.C. §1031) that created it.

5. FOR 1031, LLC, a firm associated with DBSI, created units which were designated as a tenancy in common ("TIC"). A TIC is a form of real estate ownership in which two or more parties have a fractional interest in a property. Investors took the proceeds from the sale of their investment property and invested in a fractional ownership interest in a new property selected by FOR 1031, DBSI, or one of its affiliates. By investing the proceeds in another property, the investors deferred paying income tax on the sale of their investment property. These investors would then own an interest in the purchased property along with other tenants in common. An affiliate of each managed the purchased property, leased the property to sub-tenants, collected rent, maintained the property, and paid the investors a return on their investment.

6. The Alabama investor was provided a Private Placement Memorandum by For 1031 and DBSI which guaranteed a monthly payment. The investor was also required to sign an Irrevocable Power of Attorney allowing FOR 1031, and its affiliates, authority over the lease, the property, and the TIC, including the authority to commit investors to new loan agreements.

7. A review of information received from PAPPAS indicates that the Alabama resident received PAPPAS's Silicon Valley market report through the U.S. Mail and contacted PAPPAS to discuss listing the family home located in California. Subsequently, the Alabama resident hired Coldwell Banker to list the residence and execute the sale.

8. During the telephone conversation with PAPPAS, the Alabama investor expressed an interest in learning more about reinvestment alternatives for the proceeds generated from the sale of the property. PAPPAS told the Alabama resident about FOR 1031 and provided an overview of what FOR 1031 could offer.

Subsequently, the Alabama resident contacted FOR 1031.

9. Subsequent to the sale of the California property the Alabama resident invested \$441,536.91, and for his investment received a 10.3% interest in, "FOR 1031 Lincoln Park 10, LLC," held as tenants in common of a property located in Houston, TX. For this TIC investment, the Alabama investor was to receive a 6% monthly return. PAPPAS received a commission for the referral of the Alabama investor to FOR 1031 and its affiliates.

10. A review of the Commission registration files disclosed no record of registration for DBSI, FOR 1031 or PAPPAS as a Dealer, Agent, Investment Advisor, or Investment Advisor Representative in the state of Alabama.

11. A Cease and Desist Order was issued against the named Respondents on May 11, 2011. A review of the Commission's files reflects that PAPPAS was served on May 16, 2011 and responded to the Commission's Administrative Order No. CD-2011-0012. Negotiations between the Commission and Pappas commenced in 2011, and have resulted in this Consent Order.

12. Based upon continued conversations and representations made by PAPPAS to the Commission staff, she has not engaged in any further transactions, with DBSI and/or FOR 1031, nor with any Alabama residents. Further, Pappas has not recommended or provided information in regards to DBSI and FOR 1031, to the best of her knowledge, to any individual residing in Alabama with the exception of the Investor described herein.

#### **CONCLUSIONS OF LAW**

13. Pursuant to Section 8-6-2(10) Code of Alabama 1975, the definition of a security includes any note, stock, evidence of indebtedness, and investment contract. The agreement for \$441,536.91 entered into by the investor with FOR 1031 and its affiliates, was an "investment contract" and therefore is considered a security under the Act.

14. Pursuant to Section 8-6-2(2) Code of Alabama 1975, the definition of "agent" includes any individual who represents a dealer or an issuer in effecting or attempting to effect a sale of securities. By providing the Alabama resident with an overview of what FOR 1031 could offer, and referring the client to FOR 1031 and its affiliates, PAPPAS was effecting the sale of this security, to wit: an investment contract in FOR 1031 Lincoln Park 10, LLC, and acting as an agent under the Act.

15. Pursuant to Section 8-6-3(a), Code of Alabama 1975, it is unlawful for any person to transact business in this state as a Dealer or Agent for securities unless that person is registered under the Act. PAPPAS acted as an Agent of FOR 1031 in effecting a sale of a security to wit: an investment contract, in the state of Alabama while not being registered with the Commission in violation of the Act.

**WHEREAS**, PAPPAS agrees that the Statement of Facts set out hereinabove are true and correct; PAPPAS agrees that the assertions made during the Commission's investigation of this matter are true and correct; PAPPAS represents to the Commission, that to the best of her knowledge, the sale disclosed herein is the only offer and/or sale of a security that PAPPAS has made into, within or from the state of Alabama; that PAPPAS acknowledges that the Commission relied upon the facts as set forth in the Statement of Facts in entering into this Consent Order, as well as in the response provided by PAPPAS which describes the role PAPPAS played in effecting this securities transaction; and

**WHEREAS**, the Commission may seek further civil or criminal remedies available to it under the provisions of the Act, against PAPPAS if it determines that the assertions or representations relied upon by the Commission in entering this Consent Order prove to be incorrect;

**WHEREAS**, PAPPAS has voluntarily agreed to waive all rights to a hearing upon entry of this Order and has consented to the entry of this Order; and

**WHEREAS**, the Commission finds this Order necessary and appropriate in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act; and

**WHEREAS**, the Commission and PAPPAS are desirous of settling this matter as hereafter set forth and agree to the entry of this Order;

**WHEREAS**, PAPPAS has represented to the Commission, that at the time of this transaction, she was unaware that the transaction involved a security and thus the registration requirements under the Act were applicable.

**ACCORDINGLY, IT IS HEREBY AGREED:**

1. That PAPPAS shall, until such time as the securities are properly registered, or an appropriate exemption from registration has been perfected, refrain from effecting securities transactions into, within or from the state of Alabama. Further, PAPPAS shall not act as an agent in effecting securities transactions, until she is properly registered or exempt from registration in the state of Alabama.

2. That the Order will not constitute a bar, in and of itself, from PAPPAS becoming properly registered in the state of Alabama. However, this Order and the Cease and Desist giving rise to this Order, together with any other disciplinary, will be considered in conjunction with the record in its entirety.

3. That in accordance with Section 8-6-19(j)(1), Code of Alabama 1975, PAPPAS, shall pay the State of Alabama an administrative assessment in the sum of T h r e e -Thousand Dollars (\$3,000.00), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

4. That in accordance with Section 8-6-19(k)(1), Code of Alabama 1975, PAPPAS shall pay to the Commission, as partial reimbursement for the Commission's costs for investigating this matter, the sum of Three-Thousand Dollars (\$3,000.00), said funds to be tendered in certified funds contemporaneously with the entry of this Order.

5. That the entry of this Order resolves the Cease and Desist Administrative Order No. CD-2011-0012, issued May 11, 2011, as it pertains to PAPPAS, and thus PAPPAS is no longer subject to the Cease and Desist Order.

**AGREED AND CONSENTED** to on dates indicated:

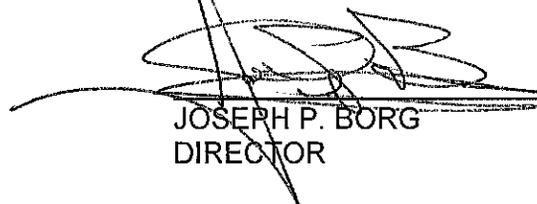
RESPONDENT:  
LESLIE M. PAPPAS

By:  Date: 04-16-18

**APPROVED AND ORDERED** 31<sup>st</sup> day of May, 2018.

ALABAMA SECURITIES COMMISSION  
P.O. Box 304700  
Montgomery, AL 36130-4700  
(334) 242-2984

BY:

  
JOSEPH P. BORG  
DIRECTOR

