

**STATE OF ARKANSAS  
SECURITIES DEPARTMENT**

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IN THE MATTER OF

NATIONAL CONSUMER MORTGAGE, LLC  
SALVATORE FAVATA a/k/a SAM FAVATA  
SANDRA FAVATA, PRESIDENT AND  
ROBERT BRYANT

---

ORDER NO. S-04-082-06-CD01

**CEASE AND DESIST ORDER**

The Arkansas Securities Department (“Department”) has received information and has in its possession certain evidence that indicates that National Consumer Mortgage, LLC, Salvatore Favata a/k/a Sam Favata, Sandra L. Favata and Robert O. Bryant (“Bryant”) have violated provisions of the Arkansas Securities Act (“Act”). Ark. Code Ann. § 23-42-101 *et seq.*

**FINDINGS OF FACT**

- (1) National Consumer Mortgage, LLC (“NCM”) is a “doing business as” name for Rudolph W. Reyes, a licensed real estate broker in the State of California, located at 505 S. Main Street, Suite 200, Orange, CA 92868. NCM purportedly brokered residential mortgages.
- (2) Sam Favata is the former President of NCM.
- (3) Sandra Favata is a licensed salesperson for Rudolph W. Reyes in the State of California and is the registered agent and a manager of NCM.

(4) Robert O. Bryant ("Bryant") is a resident of Colorado. Bryant was registered as an agent, CRD #1971832, in the State of Arkansas with Contemporary Financial Solutions, Inc., ("Contemporary Financial") a registered broker-dealer, CRD #121699, from February 21, 2003 until his voluntary termination on December 31, 2004. Bryant is currently a registered insurance agent in the State of Arkansas and the State of Colorado.

(5) On May 27, 2004 the Department received a copy of a flyer being distributed in the Russellville, Arkansas area announcing a presentation by NCM to be held on June 15, 2004 at a Russellville senior activity center. The flyer touted "Private Money Investment Notes" earning fixed interest rates from 10%-15%, secured by real estate with no principal fluctuations. The flyer listed an address of 7400 E. Caley Avenue, Suite 170, Englewood, CO 80111, telephone 303-549-5531 and facsimile number 303-224-0789. (EXHIBIT 1)

(6) The Department placed a telephone call to the phone number 303-549-5531. The call was answered by a man who identified himself as Robert Bryant. Bryant stated his father-in-law had distributed the flyers in Russellville, Arkansas. Bryant stated the offer of the Private Money Investment Notes, ("Private Notes"), did not involve the offer or sale of a security. A representative of the Department informed Bryant during the conversation that the offer and sale of unregistered securities was a violation of the Arkansas Securities Laws. Bryant promised to forward information containing the offering documents to the Department. Bryant also gave the contact name of Sandra Favata as President of NCM as a person who could supply the Department with additional information regarding the Private Notes.

(7) On May 28, 2004 the Department contacted Sandra Favata by telephone. Sandra Favata identified herself as President of NCM. Sandra Favata stated NCM was offering and selling the Private Notes. Sandra Favata stated Rob Bryant worked with NCM and that he might be offering the Private Notes in Arkansas. A representative of the Department informed Sandra Favata during the conversation that the offer and sale of unregistered securities was a violation of the Arkansas Securities Laws. Sandra Favata promised to fax offering documents to the Department.

(8) On August 6, 2004 the Department mailed a certified letter to Contemporary Financial seeking information regarding the sale of Private Notes by their agent Bryant. The Department included a copy of the flyer distributed in Russellville, Arkansas. (EXHIBIT 2)

(9) The Department received a letter dated August 19, 2004 from the Vice President and General Counsel for Mutual Service Corporation the parent company of Contemporary Financial. Through this correspondence Contemporary Financial stated they were committed to reviewing the situation. Enclosed with this correspondence was a letter dated August 12, 2004 addressed to Bryant from Mutual Service Corporation. (EXHIBIT 3)

(10) On October 13, 2004 the Department received another letter from the Vice President and General Counsel for Mutual Service Corporation enclosing a letter from Bryant to Mutual Service Corporation explaining his involvement with NCM and enclosing a redacted copy of a "Short-Term Note Contract" entered between Bryant and NCM signed by Sam Favata and Sandra Favata. (EXHIBIT 4)

(11) On May 16, 2005 the Department received a letter from the Vice President and General Counsel for Mutual Service Corporation stating Bryant left employment with Contemporary Financial at the end of 2004 and his termination was voluntary. In this letter Contemporary Financial stated they did not believe Bryant engaged in the sale of Private Notes. (EXHIBIT 5)

(12) On or about June 15, 2004 an Arkansas Resident ("AR1") attended a meeting in Russellville, Arkansas, held by Bryant offering Private Notes of NCM. According to AR1, Bryant demonstrated how the investment was as safe as an investment in an FDIC insured product.

(13) Inasmuch as the investment was not insured by the FDIC, any other U.S. government instrumentality or any other entity, such representation was false.

(14) The Department has in its possession a copy of a "Short-Term Note Contract" sold by Bryant entered into between AR1 and NCM dated June 18, 2004 in which AR1 invested \$150,000 with a promised return interest rate of 26% for the time period of July 1, 2004 through August 1, 2006. This note is signed by Sam Favata and Sandra Favata. (EXHIBIT 6)

(15) The Department has in its possession a copy of a second "Short-Term Note Contract" sold by Bryant entered into between AR1 and NCM dated December 21, 2005 in which AR1 invested \$50,000 with a promised return interest rate of 21% for the time period of July 1, 2006 through July 10, 2007. This note is signed by Sam Favata and Sandra Favata. (EXHIBIT 7)

(16) The Department has in its possession a copy of a third "Short-Term Note Contract" sold by Bryant entered into between another Arkansas Resident ("AR2"), and

NCM. AR2, the son of AR1, was told of the investment opportunity by AR1. AR2 expressed interest in the investment opportunity and was contacted by Bryant on or about September 14, 2005. AR2 entered into the investment contract with NCM signed by Sam Favata and Sandra Favata on September 14, 2005. AR2 invested \$50,000 with a promised return interest rate of 9% for the time period of October 1, 2005 through June 10, 2006. Bryant explained the investment to AR2 and stated the investment was safe because it was backed by real estate with values much greater than what was being loaned against it. (EXHIBIT 8)

(17) According to an Order issued by the U.S. Securities and Exchange Commission in the matter of Salvatore Favata (aka Sam Favata), proceeding No. 3-12469, issued on November 1, 2006, the notes were not secured by real property or in any fashion. Favata consented to the Order which found that Favata falsely told investors that their money would be used to fund high interest rate residential mortgage loans, that they would receive annual interest payments between 30-60 percent of their original investment, and that the loans underlying the notes would be secured by real property. The SEC found that in reality, Favata used investor funds to pay returns to existing investors in a Ponzi-scheme fashion, to pay operating expenses of NCM's more conventional mortgage brokerage business and to pay Favata's gambling debts which amounted to more than \$10 million. (EXHIBIT 9)

(18) The Department has information in its possession indicating that during the time period from May 1, 2004 until December 24, 2004, while Bryant was a registered agent with Contemporary Financial, Bryant sold at least 13 Private Note investments to individuals, at least one of which was an Arkansas resident, totaling

\$3,173,000. Information obtained by the Department also indicates Bryant sold additional Private Note investments, at least two of which were to Arkansas residents, totaling \$10,779,818.62 after terminating his registration as an agent.

(19) Records of the Department do not reflect that NCM, Sam Favata or Sandra Favata are registered in Arkansas as a broker dealer, broker dealer agent, investment adviser or investment adviser representative. Although Bryant was a registered agent with Contemporary Financial in 2004, records of the Department do not reflect a registration for Bryant with a broker-dealer or investment adviser in 2005 when investment contracts were sold to Arkansas residents. In addition, records of the Department do not reflect a registration filing or exemption filing for the investment contracts sold by NCM, Sam Favata, Sandra Favata and Bryant.

#### APPLICABLE LAW

(20) Ark. Code Ann. § 23-42-102(15)(A)(xi) defines "Security" to include any investment contract.

(21) Ark. Code Ann. § 23-42-209 provides in part that whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this chapter, he may summarily order the person to cease and desist from the act or practice.

(22) Ark. Code Ann. § 23-42-301 states that it is unlawful for any person to transact business in this State as a broker-dealer, agent, investment adviser or representative unless such person is registered under the terms of the Act.

(23) Ark. Code Ann. § 23-42-501 states that is unlawful for any person to offer or sell any security in Arkansas unless it is registered or exempt from registration.

(24) Ark. Code Ann. § 23-42-507 provides in part that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

#### CONCLUSIONS OF LAW

(25) This matter has been properly brought before the Arkansas Securities Commissioner in accordance with Ark. Code Ann. §§ 23-42-201 and 209.

(26) Information obtained by the Department indicates that investment contracts, in the form of Private Money Investment Notes, offered and sold to investors by Sam Favata, Sandra Favata, Bryant and NCM constitute securities under Ark. Code Ann. § 23-42-102(15)(A).

(27) The investment contracts are unregistered, non-exempt securities sold in the State of Arkansas and the offer and sale of such securities by Sam Favata, Sandra Favata, Bryant and NCM constitute violations of Ark. Code Ann. § 23-42-501.

(28) Sam Favata, Sandra Favata, Bryant and NCM have engaged in activity in violation of the Act by transacting business in this State as a broker dealer and agent without registering as required under Ark. Code Ann. § 23-42-301.

(29) Bryant willfully violated Ark. Code Ann. § 23-42-501 by continuing to offer and sell investment contracts after being notified by the Department as early as May 2004 that such offers and sales violated Arkansas Securities Laws. The three Arkansas

securities transactions referenced in this Order all took place after Bryant was told to cease any activity related to the offer and sale of the "Private Notes."

(30) The offer and sale of securities by means of the false and misleading representations made by Sam Favata, Sandra Favata, Bryant and NCM as set forth in paragraphs 5 through 19 above, constitute violations of Ark. Code Ann. § 23-42-507.

OPINION

This Order is in the public interest.

In order to protect Arkansas investors, and pursuant to Ark. Code Ann. § 23-42-209(a)(1), the Arkansas Securities Commissioner can and should order Sam Favata, Sandra Favata, Bryant and NCM to immediately Cease and Desist from further actions in the State of Arkansas in connection with the offer and sale of investment contracts and other securities transactions.

ORDER

IT IS THEREFORE ORDERED that Sam Favata, Sandra Favata, Robert Bryant and National Consumer Mortgage immediately CEASE AND DESIST from any further actions in the State of Arkansas in connection with the offer and sale of investment contracts or other securities and related activities as described in this Order and any further violations of the Act.

WITNESS MY HAND AND SEAL THIS 21<sup>st</sup> DAY OF NOVEMBER, 2006.

  
\_\_\_\_\_  
MICHAEL JOHNSON  
Securities Commissioner

Tuesday, June 15th—7 P.M.—8:30 P.M.

# Private Money Investment Notes

Come learn how you can earn fixed interest rates from 10%-15%.  
This system is completely secured by real estate with no principal  
fluctuations!

Russellville Senior Activity Center

1010 N. Rochester Road  
Russellville, AR 72802

*Tuesday, June 15th*  
*7:00 P.M.—8:30 P.M.*

RSVP By June 8 to reserve your spot!



7400 E. Caley Avenue  
Suite 170  
Englewood, CO 80111

Phone: 303-549-5531  
Fax: 303-234-0130

EXHIBIT

TABLER  
1

MIKE HUCKABEE  
GOVERNOR

MICHAEL B. JOHNSON  
COMMISSIONER



HERITAGE WEST BUILDING, SUITE 300  
201 EAST MARKHAM STREET  
LITTLE ROCK, ARKANSAS 72201-1692  
TELEPHONE: (501) 324-9260  
FACSIMILE: (501) 324-9268

## ARKANSAS SECURITIES DEPARTMENT

August 6, 2004

CERTIFIED MAIL – RRR  
NO. 7002315000594644996

Mr. Dennis S. Kaminski  
Contemporary Financial Solutions, Inc.  
250 Australian Avenue  
One Clearlake Centre, Suite 1800  
West Palm Beach, FL 33401-5012

RE: Robert O. Bryant  
CRD #1971832

Dear Mr. Kaminski:

The Arkansas Securities Department has opened an investigation into the offering and sales of investments in National Consumer Mortgage by your registered representative, Robert O. Bryant.

On May 27, 2004, the Department received a copy of a flyer Mr. Bryant was distributing in the city of Russellville, Arkansas, announcing a presentation to be held on June 15, 2004, at the Russellville Senior Activity Center offering "Private Money Investment Notes." A copy of the flyer is enclosed.

An investigator with the Department, Phyllis Shelby, spoke with Mr. Bryant on May 27, 2004 and requested written information on the above product. Mr. Bryant stated he had had written documentation of the product but was leaving on vacation and asked Ms. Shelby to contact him on Tuesday, June 1, 2004. Ms. Shelby called Mr. Bryant and June 1<sup>st</sup> and again requested copies of written documents on the investment. Mr. Bryant then referred Ms. Shelby to Sandra Favata, President of National Consumer Mortgage. Ms. Shelby has made several requests to Ms. Favata for information, but no information has been provided.

The Department has spoken to at least one Arkansas investor who purchased the "Private Money Investment Notes" through Robert O. Bryant. National Consumer Mortgage is located at 505 South Main Street, Suite 810, Orange, CA 92868.

EXHIBIT

2

Mr. Dennis S. Kaminski

August 6, 2004

Page 2

The solicitation and sale of such investments appear to constitute an offer to sell and the sale of a security, as defined in the Arkansas Securities Act (the "Act") at Ark. Code Ann. § 23-42-102(13)(A). "Security" is defined by the Act to include various transactions by which funds are invested including notes. Ark. Code Ann. § 23-42-102(15)(A)(i). The Act further requires that securities be registered with this Department before they are offered or sold in this state. Ark. Code Ann. § 23-42-501.

The Department's records do not reflect that a registration or request for exemption from registration has been issued authorizing the offer or sale of securities by Consumer National Mortgage.

On June 10, 2004, the Arkansas Securities Commissioner, Michael Johnson, issued an Order Directing Investigation No. S-04-082-04-OI01, a copy of which is enclosed. Pursuant to this investigation we are requesting the following information in regard to the offers and sales of Private Money Investment Notes in National Consumer Mortgage by Robert O. Bryant:

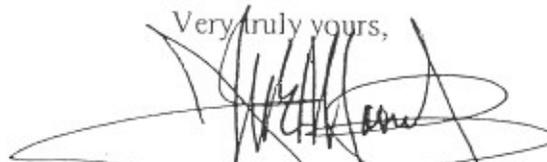
- (1) Copies of all written documentation, including but not limited to prospectus, offering memorandum, correspondence to or from Robert O. Bryant or anyone on his behalf, subscription agreements or notes;
- (2) The name and address of each purchaser or investor, regardless of whether such purchaser or investor is or was an Arkansas resident;
- (3) The amount invested by each purchaser or investor, the date on which such amount was paid, the name of the person or entity to whom it was paid;
- (4) The amount of commissions or other remuneration received by Robert O. Bryant pursuant to the sale of the notes; and
- (5) The location of the books and records of the subject company.

Please give the Department your assurance that the solicitation and collection of funds in National Consumer Mortgage by your registered representative has ceased. Please state whether any other registered representatives of Contemporary Financial Solutions, Inc. have offered or sold investments of National Consumer Mortgage, and if so, provide the above requested information for each sale.

Mr. Dennis S. Kaminski  
August 6, 2004  
Page 3

The requested information should be provided to the Department on or before August 19, 2004. If you have any questions please feel free to contact me at 501-324-8686.

Very truly yours,



JOHN E. MOORE, JR.  
Chief Counsel

JEM/pjs

Enclosure

cc: CERTIFIED MAIL - RRR  
No. 7002315000594645009  
Mr. Robert O. Bryant  
7400 E. Caley Avenue, Suite 170  
Englewood, CO 80111



Kari S. Turigliatto  
Vice President  
General Counsel  
West Coast Office  
kturigliatto@mutualservice.com

August 19, 2004

Via Facsimile & U.S. Mail

John E. Moore, Jr.  
Chief Counsel  
Arkansas Securities Department  
Heritage West Building, Suite 300  
201 East Markham Street  
Little Rock, Arkansas 72201-1692

Re: Robert O. Bryant  
CRD Number 1971832

Dear Mr. Moore:

It was a pleasure speaking with you this morning. Thank you for taking time to discuss the matter relating to Mr. Bryant.

Per our telephone conversation, Contemporary Financial Solutions, Inc. (CFS) did not have any knowledge of Private Money Investment Notes (Notes) through National Consumer Mortgage or Mr. Bryant's alleged involvement in such until receiving your letter dated August 6, 2004. Therefore, we are not able to provide your Department with any of the documents requested.

CFS is committed to reviewing this situation and will report its findings to you in an effort to assist your Department in its investigation. Towards that end, I have sent Mr. Bryant a letter demanding that he cease and desist any activity relating to the offer and/or sale of the Notes (copy enclosed). After receiving my letter and phone message, Mr. Bryant called and informed me of the following:

- He has personally purchased Notes.
- Mr. Bryant's father in law, Ted Cook, has purchased a Note.
- Mr. Bryant told Mr. Cook about the Notes. Mr. Cook purchased a Note directly through National Consumer Mortgage. Mr. Bryant did not receive any type of compensation based on Mr. Cook's purchase of a Note.

As part of our review, CFS will request that Mr. Bryant provide the firm with a written statement affirming the above. I will also contact National Consumer Mortgage

West Coast Office: 4 Civic Plaza, Suite 340, Newport Beach, CA 92660 Phone: (949) 219-4999  
Home Office: Post Office Box 24777, West Palm Beach, FL 33416-4777 Phone: (561) 835-4100  
www.mutualservice.com

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**EXHIBIT**

3

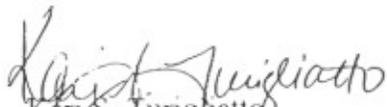
John E. Moore  
August 19, 2004  
Page 2

to gain more information about the Notes, which I will share with your department. CFS will also amend Mr. Bryant's Form U-4 to reflect the investigation initiated by your department.

Provided we receive cooperation from Mr. Bryant and National Consumer Mortgage, I anticipate we will complete our review within ten (10) days.

Should you have any questions, you are welcome to contact me at your convenience.

Sincerely,  
MUTUAL SERVICE CORPORATION

  
Krist Turigatto  
Vice President  
General Counsel

:kst

enclosure

cc: Dennis S. Kaminski (w/out encl.)



Kari S. Turigliatto  
Vice President  
General Counsel  
West Coast Office  
kturigliatto@mutualservice.com

August 12, 2004

Via Facsimile & Overnight Mail

Robert O. Bryant  
7400 E. Caley Avenue, Suite 170  
Englewood, CO 80111

Re: Arkansas Securities Department  
Private Money Investment Notes/National Consumer Mortgage

Dear Mr. Bryant:

My name is Kari Turigliatto. I serve as Vice President and General Counsel for Mutual Service Corporation (MSC), the parent company of Contemporary Financial Solutions, Inc. (CFS). I have been asked by Dennis Kaminski to contact you about the letter he received from the Arkansas Securities Department (Department) dated August 6, 2004, which enclosed a copy of the Order issued by the Department in the matter involving you, National Consumer Mortgage, Sandra L. Favata and Rudolph W. Reyes. I left you a voicemail message earlier today as well.

Please be advised that CFS finds the statements in the Department's letter and allegations in the Order to be most serious. You must cease and desist all further sales or offers to sell Private Money Investment Notes through National Consumer Mortgage immediately.

Furthermore, by the close of business tomorrow (August 13, 2004), you must provide CFS with all documents relating to your involvement with Private Money Investment Notes (Notes) and National Consumer Mortgage. This includes, but is not limited to, all materials you have used to offer and/or sell these Notes (including all promotional materials, advertisements and disclosure materials) and all documents completed by clients to purchase such Notes, with a complete list of clients who have purchased these Notes along with copies of their checks. This includes clients of who are residents of any state.

We trust you understand the magnitude of this situation and will respond promptly. All documents may be sent via overnight mail to my attention at 4 Civic Plaza, Suite 340, Newport Beach, CA 92660 and/or faxed to me at 949-644-6471.

West Coast Office: 4 Civic Plaza, Suite 340, Newport Beach, CA 92660 Phone: (949) 219-4999 Fax: (949) 644-6471  
Home Office: Post Office Box 24777, West Palm Beach, FL 33416-4777 Phone: (561) 835-4100 Fax: (561) 835-1920  
[www.mutualservice.com](http://www.mutualservice.com)

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Sincerely,  
MUTUAL SERVICE CORPORATION

  
Karl S. Turigliatto  
Vice President  
General Counsel

:kst

cc: Dennis S. Kaminski  
Michael E. Poston



Kari S. Turigliatto  
Vice President  
General Counsel  
West Coast Office  
kturigliatto@mutualservice.com

RECEIVED

2004 OCT 14 AM 9:36

ARKANSAS SECURITIES DEPT.

October 13, 2004

Via Overnight Mail

John E. Moore, Jr., Esq.  
Arkansas Securities Department  
Heritage West Building, Suite 300  
201 East Markham Street  
Little Rock, AK 72201-1692

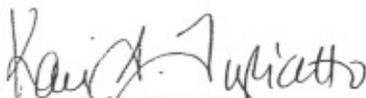
Re: Robert O. Bryant

Dear Mr. Moore:

Enclosed please find a copy of Mr. Bryant's letter to me regarding his purchase of a Private Money Investment Note and a copy of his note.

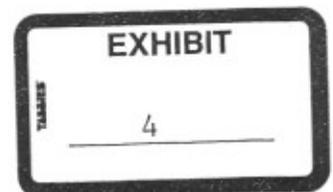
I will contact you by October 22, 2004 to discuss this further.

Sincerely,  
MUTUAL SERVICE CORPORATION

  
Kari S. Turigliatto  
Vice President  
General Counsel

KST:fer

enclosures



West Coast Office: 4 Civic Plaza, Suite 340, Newport Beach, CA 92660 Phone: (949) 219-4999 Fax: (949) 644-6471  
Home Office: Post Office Box 24777, West Palm Beach, FL 33416-4777 Phone: (561) 835-4100 Fax: (561) 835-1920  
[www.mutualservice.com](http://www.mutualservice.com)

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August 23, 2004

To: Kari S. Turiglatto  
From: Robert Bryant  
RE: Letter from August 19, 2004 (Answers to questions)

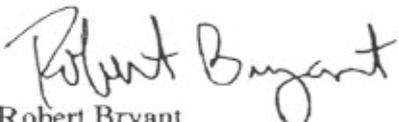
- 1.) Yes my wife and I have personally purchased the Private Money Investment Notes, (Notes) through National Consumer Mortgage (NCM).
- 2.) Ted Cook, my father-in-law, has purchased a note directly from NCM. My wife informed him of such notes.
- 3.) I have not received compensation of any type from NCM (or any affiliated entity of NCM) and I did not inform Mr. Cook of the notes.
- 4.) I have never received any compensation from NCM for referring anyone to NCM (i.e. serving as a reference)
- 5.) Mr. Cook distributed the flyer to friends and family members of Arkansas and I'm not aware of who he had create the flyer for him. My wife and Mr. Cook arranged to have our office address and phone number listed on the flyer.
- 6.) Yes, I have documents from NCM describing the notes and said documents will be forwarded to you from Sandra Favata of NCM. No, I have not created any such documents.
- 7.) My Parents, who have purchased a fixed life insurance product from me in the past, have purchased a note from NCM in the past. No CFS clients or other wise to my knowledge have purchased the notes.

Kari: Furthermore, Phyllis from the Arkansas Securities Department was rude and accusatory not only to me, but also to the manager of the Senior Center in Arkansas according to my wife.

She was rude to me five seconds into our first conversation: not afterwards as she claims. Furthermore, I was cooperative with her, referring her to NCM to get questions answered and receive information on the notes, just as I have been with you. This has become a time consuming nuisance to me, and my wife. This was embarrassing to my family especially when she called the Senior Center and talked with the manager and scared her to death making me out to be a crook.

If you have any questions concerning this matter, please contact me anytime.

Sincerely,

  
Robert Bryant



# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

Customer Name:

Address:

Customer Account Number:

## SHORT-TERM NOTE CONTRACT

Original Investment Amount:

<u>Principal</u>	<u>Interest</u>	<u>Start Date</u>	<u>Due Date</u>	<u>Amount Due</u>
------------------	-----------------	-------------------	-----------------	-------------------

- original investment
- total interest earned
- total amount due and payable

## TERMS TO THE NOTE CONTRACT:

National Consumer Mortgage, LLC - Shall pay advance interest payments from 08/15/04 to 02/15/05 in the amount of . . . . . The interest payment is due and payable on the 15<sup>th</sup> of each month. In the event the note contract shall exceed above due date, National Consumer Mortgage, LLC will continue to make monthly interest payments. See below for a breakdown.

- original investment amount
- total interest earned through the term of the contract
- total monthly interest payments earned from 08/15/04 - 02/15/05

505 S. Main St. • Suite 810 • Orange, CA 92868  
Off: (714) 479-0489 • Toll Free: (800) 650-7335 • Fax: (714) 664-0133  
E-mail: [ncimort@pacbell.net](mailto:ncimort@pacbell.net) • [www.nationalconsumermortgage.com](http://www.nationalconsumermortgage.com)

N  
C  
M

# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

In the event of a delay and additional time is required for the close of this note contract, additional interest at 2.5% per month will be earned until the note contract concludes. This additional interest will not be deducted from your principle investment and is in addition to the normal monthly interest payments.

- original investment amount
- interest earned from advanced monthly interest payments
- due and payable on 02/25/05

This short-term note contract shall be due and payable on the above indicated due date. The signatures below will serve a binding legal contract between Robert O. Bryant and Sam & Sandra Favata/National Consumer Mortgage, LLC. This short-term note contract is secured by real estate and guaranteed by both real property and National Consumer Mortgage, LLC.

Robert O. Bryant: Robert Bryant Date: 7-12-04

National Consumer Mortgage, LLC

Sam Favata: Sam Favata Date: 7/8/04

National Consumer Mortgage, LLC

Sandra Favata: Sandra Favata Date: 7/8/04



Kari S. Turigliatto  
Vice President  
General Counsel  
West Coast Office  
kturigliatto@mutualservice.com

May 12, 2005

John Root, Esq.  
Arkansas Securities Department  
Heritage West Building, Suite 300  
201 East Markham Street  
Little Rock, AK 72201-1692

Re: Contemporary Financial Solutions, Inc./Robert O. Bryant

Dear Mr. Root:

Thank you for speaking with me yesterday regarding Mr. Bryant. As we discussed yesterday, Mr. Bryant left CFS at the end of 2004. Mr. Bryant's termination from CFS was voluntary.

CFS believes that Mr. Bryant did not engage in the sale of Private Money Investment Notes through National Consumer Mortgage (NCM). I spoke with Mr. Moore on September 9, 2004 and he confirmed that your department had not received notice from anyone that Mr. Bryant had sold NCM notes. CFS was advised by Mr. Bryant that his parents and his wife's parents had purchased notes directly from NCM. A principal of NCM, Shandra Favata, informed me during a phone call that Mr. Bryant had never received compensation of any sort from NCM. Ms. Favata also stated that she had told Phyllis Shelby of your office that NCM had never paid compensation to Mr. Bryant.

Per your request, I have enclosed a copy of Mr. Bryant's NCM note that was included in my letter to Mr. Moore of October 13, 2004.

Should you wish to discuss this issue further, please contact me.

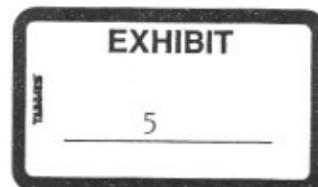
Sincerely,  
MUTUAL SERVICE CORPORATION

  
Kari S. Turigliatto

Vice President  
General Counsel

:kst

enclosure



West Coast Office: 4 Civic Plaza, Suite 340, Newport Beach, CA 92660 Phone: (949) 219-4999 Fax: (949) 644-6471  
Home Office: Post Office Box 24777, West Palm Beach, FL 33416-4777 Phone: (561) 835-4100 Fax: (561) 835-1920  
www.mutualservice.com

Member of National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation



# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

Customer Name:

Address:

Customer Account Number: 07012004-PSS

## SHORT-TERM NOTE CONTRACT

Original Investment Amount: \$150,000.00

<u>Principal</u>	<u>Interest</u>	<u>Start Date</u>	<u>Due Date</u>	<u>Amount Due</u>
\$150,000.00	26%(\$39,000.00)	07/01/04	08/15/06	\$189,000.00

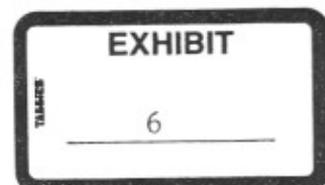
\$150,000.00 – original investment  
\$ 39,000.00 – total interest earned  
 \$189,000.00 – total amount due and payable

### TERMS TO THE NOTE CONTRACT:

National Consumer Mortgage, LLC – Shall pay advance interest payments from 08/01/04 to 08/01/06 in the amount of \$1,560.00. The interest payment is due and payable on the 1<sup>st</sup> of each month. In the event the note contract shall exceed above due date, National Consumer Mortgage, LLC will continue to make monthly interest payments. See below for a breakdown.

\$100,000.00 - original investment amount  
 \$ 39,000.00 - total interest earned through the term of the contract  
 \$ 39,000.00 - total monthly interest payments earned from 08/01/04 – 08/01/06

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 E-mail: ncimort@pacbell.net • www.nationalconsumermortgage.com





# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

In the event of a delay and additional time is required for the close of this note contract, additional interest at 2.5% per month will be earned until the note contract concludes. This additional interest will not be deducted from your principle investment and is in addition to the normal monthly interest payments.

\$150,000.00 – original investment amount

\$ 39,000.00 – interest earned from advanced monthly interest payments

\$150,000.00 – due and payable on 08/15/06

This short-term note contract shall be due and payable on the above indicated due date. The signatures below will serve a binding legal contract between Preston & Sheila Smith and Sam & Sandra Favata/National Consumer Mortgage, LLC. This short-term note contract is secured by real estate and guaranteed by both real property and National Consumer Mortgage, LLC. All investment properties are based on loan to value ratios of 65% or lower, this will ensure National Consumer Mortgage, LLC and involved investors that we have room to be paid off, in the event of a foreclosure.

\_\_\_\_\_  
Date: \_\_\_\_\_  
\_\_\_\_\_  
Date: \_\_\_\_\_

National Consumer Mortgage, LLC

Sam Favata: [Signature] Date: 6-18-06

National Consumer Mortgage, LLC

Sandra Favata: [Signature] Date: 6-18-06



# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

Customer Name:

Address:

Customer Account Number: 01012006-PSS

## SHORT-TERM NOTE CONTRACT

Original Investment Amount: \$50,000.00

<u>Principal</u>	<u>Interest</u>	<u>Start Date</u>	<u>Due Date</u>	<u>Amount Due</u>
\$50,000.00	21%(\$10,500.00)	01/01/06	07/10/07	\$60,500.00

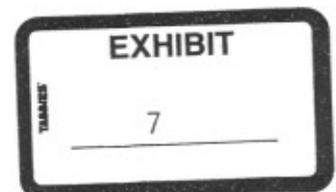
\$50,000.00 – original investment  
\$10,500.00 – total interest earned  
**\$60,500.00** – total amount due and payable

### TERMS TO THE NOTE CONTRACT:

National Consumer Mortgage, LLC – Shall pay advance interest payments from 02/01/06 to 07/01/07 in the amount of \$583.33. The interest payment is due and payable on the 1<sup>st</sup> of each month. In the event the note contract shall exceed the above due date, National Consumer Mortgage, LLC will continue to make monthly interest payments. See below for a breakdown.

\$50,000.00 – original investment amount  
 \$10,500.00 – total interest earned through the term of contract  
 \$10,500.00 – total monthly interest payments earned from 02/01/06 – 07/0

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# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

In the event of a delay and additional time is required for the close of this note contract, additional interest at 2.5% per month will be earned until the note contract concludes. This additional interest will not be deducted from your principle investment and is in addition to the normal monthly interest payments.

\$50,000.00 – original investment amount  
\$10,500.00 – interest earned from advanced monthly interest payments  
\$50,000.00 – due and payable on 07/10/07

This short-term note contract shall be due and payable on the above indicated due date. The signatures below will serve as a binding legal contract between Preston & Sheila Smith & Sandra Favata/National Consumer Mortgage, LLC. This short-term note contract is secured and guaranteed by National Consumer Mortgage, LLC.

\_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_

National Consumer Mortgage, LLC

Sam Favata: [Signature] Date: 12-21-05

National Consumer Mortgage, LLC

Sandra Favata: [Signature] Date: 12/21/2005



# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

**Customer:**

**Address:**

**Customer Account Number: 10012005-RS**

## SHORT-TERM NOTE CONTRACT

Original Investment Amount: **\$50,000.00**

<u>Principal</u>	<u>Interest</u>	<u>Start Date</u>	<u>Due Date</u>	<u>Amount Due</u>
\$50,000.00	9%(\$4,500.00)	10/01/05	06/10/06	\$54,500.00

**\$50,000.00 – original investment**

**\$ 4,500.00 – total interest earned**

**\$54,500.00 – total amount due and payable**

### TERMS TO THE NOTE CONTRACT:

National Consumer Mortgage, LLC – Shall pay advance interest payments from 11/01/05 to 06/01/06 in the amount of \$562.50. The interest payment is due and payable on the 1<sup>st</sup> of each month. In the event the note contract shall exceed the above due date, National Consumer Mortgage, LLC will continue to make monthly interest payments. See below for a breakdown.

**\$50,000.00 – original investment amount**

**\$ 4,500.00 – total interest earned through the term of contract**

**\$ 4,500.00 – total monthly interest payments earned from 11/01/05 – 06/01/06**

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EXHIBIT

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# NATIONAL CONSUMER MORTGAGE, LLC

Mortgage Loan Division

In the event of a delay and additional time is required for the close of this note contract, additional interest at 2.5% per month will be earned until the note contract concludes. This additional interest will not be deducted from your principle investment and is in addition to the normal monthly interest payments.

\$50,000.00 – original investment amount  
\$ 4,500.00 – interest earned from advanced monthly interest payments  
\$50,000.00 – due and payable on 06/10/06

This short-term note contract shall be due and payable on the above indicated due date. The signatures below will serve as a binding legal contract between Ritchie Smith and Sam & Sandra Favata/National Consumer Mortgage, LLC. This short-term note contract is secured and guaranteed by National Consumer Mortgage, LLC.

\_\_\_\_\_  
Date: 9-15-05

National Consumer Mortgage, LLC

Sam Favata: \_\_\_\_\_ Date: 9-14-05

National Consumer Mortgage, LLC

Sandra Favata: \_\_\_\_\_ Date: 09/14/05

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934  
Release No. 54683 / November 1, 2006

ADMINISTRATIVE PROCEEDING  
File No. 3-12469

In the Matter of

SALVATORE FAVATA (aka  
Sam Favata),

Respondent.

ORDER INSTITUTING  
ADMINISTRATIVE PROCEEDINGS  
PURSUANT TO SECTION 15(b) OF THE  
SECURITIES EXCHANGE ACT OF  
1934, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 ("Exchange Act") against Salvatore Favata (aka Sam Favata) ("Favata").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over him and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions ("Order"), as set forth below.

EXHIBIT

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### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Favata, age 46, is a resident of Yorba Linda, California. From December 2002 until April 2006 Favata was the president of National Consumer Mortgage LLC's ("NCM") investment division. During the relevant period, Favata engaged in the unregistered offer and sale of so-called "private money investment notes." Favata was not registered in any capacity with the Commission or the NASD.

2. On October 19, 2006, a final judgment was entered by consent against Favata, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933, Sections 10(b) and 15(a) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Salvatore Favata, Civil Action Number SACV06-943 JVS (ANx), in the United States District Court for the Central District of California.

3. The Commission's complaint alleged that, in connection with the sale of "private money investment notes," Favata falsely told investors that their money would be used to fund high interest rate residential mortgage loans, that they would receive annual interest payments between 30-60 percent of their original investment, and that the loans underlying the notes would be secured by real property. In reality, Favata used investor funds to pay returns to existing investors in a Ponzi-scheme fashion, to pay operating expenses of NCM's more conventional mortgage brokerage business and to pay Favata's gambling debts which amounted to more than \$10 million. The complaint also alleged that Favata sold unregistered securities and acted as an unregistered broker-dealer.

### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Favata's Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act, that Respondent Favata be, and hereby is barred from association with any broker or dealer. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the

conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Nancy M. Morris  
Secretary