BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE

OF THE STATE OF IDAHO

In the Matter of: STATE OF IDAHO, Department of Finance, Securities Bureau, Complainant, vs. Harrison Investments, LLC Densmore Financial Group, Inc. (IARD No. 136644) and Allan H. Densmore (CRD No. 2469110), Respondents.	)	Docket No.: 2010-7-02 **AGREEMENT AND ORDER**

The Director of the Department of Finance ("Director") has instituted an investigation into the conduct of HARRISON INVESTMENTS, LLC, DENSMORE FINANCIAL GROUP, INC, and ALLAN H. DENSMORE (collectively "Respondents"). Pursuant to the investigation it appears to the Director that violations of the Idaho Uniform Securities Act (2004), Idaho Code 30-14-101 *et seq.* (the "IUSA") have occurred. The Director and Respondents Harrison Investments, LLC, Densmore Financial Group, Inc., and Allan H. Densmore have agreed to resolve this matter without a public hearing or other adjudication. Therefore, the Director deems it appropriate and in the public interest that this Agreement and Order be entered. Respondents consent to the entry of this Agreement and Order.

I.

FINDINGS OF FACT

1. Harrison Investments, LLC (hereafter referred to as "Harrison" or "HIL") is an Idaho limited liability company with its principal place of business located at 612 3rd Street South, Nampa, ID 83651.

2. Densmore Financial Group, Inc. ("DFG") is an Idaho corporation with its principal place of business located at 612 3rd Street South, Nampa, ID 83651 and was an investment adviser registered with the Complainant from September 6, 2005 to November 23, 2010.

3. Allan H. Densmore ("Densmore") is the Managing Member of Harrison, CEO of DFG and is and was at all relevant times a principal and control person of DFG. Densmore resides at 6868 Old Bruneau Highway RR1 Box 812, Marsing, ID 83639.

4. On September 10, 2009 Harrison submitted a Regulation D, Rule 506 notice filing with the Complainant.

5. On September 11, 2009 the Complainant issued a letter to Harrison acknowledging receipt of the Regulation D, Rule 506 notice filing. The Complainant's letter stated the Complainant's presumption that Harrison had complied with the pertinent provisions of federal securities laws and related regulation.

6. Densmore and DFG solicited clients of DFG and others to invest in Harrison.

7. On or about January 6, 2010, a member of the Complainant's staff observed a link on the DFG website that stated, "View our company website for Harrison Investments LLC, Where Fun, Memories and Investing go hand in hand. Click Here." The link connected to the Harrison website. The Harrison website contained information regarding Harrison and directed prospective investors to contact allan@harrisoninvestmentsllc.com for additional information that included an investor kit and questionnaire.

8. Rule 502 of Regulation D limits the manner of a Regulation D, Rule 506 offering in that neither the issuer nor any person acting on its behalf shall offer or sell the securities by any form of general solicitation or general advertising. The general website solicitations/advertising of DFG and Harrison violated Rule 502 and resulted in the inability of Harrison to rely on the Regulation D, Rule 506 federal safe harbor to qualify the offering. As a result, unregistered securities were offered and sold to investors.

9. As part of its investigation the Complainant requested information from Harrison, which pertained to the information provided to investors in Harrison's private placement memorandum (PPM) and Harrison's securities activities.

10. The Complainant found that Harrison's balance sheet dated July 27, 2009 and the selected financial information, that was part of the PPM, misrepresented the financial condition of Harrison. The $20,000 checking/savings account at Bank of the Cascades that was represented on Harrison's balance sheet did not exist. Densmore had made an in-kind contribution of a $10,000 yurt and had already used the remaining $10,000 associated with his contribution to Harrison to pay Harrison's start-up costs. Moreover, the balance sheet was not audited, which is a requirement of Rule 502 of Regulation D if the offering is sold to non-accredited investors and is material to an understanding of the issuer, its business and the securities being offered.

11. Section 30-14-501(2) of the IUSA provides that it is unlawful for any person, directly or indirectly, in connection with the offer, sale or purchase of a security, to make an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

12. Densmore and Harrison's misrepresentations to prospective investors as set forth in paragraph 10 above were made in connection with the offer, sale or purchase of securities. Densmore and Harrison's misrepresentations were material and were false and misleading,

constituting violations of Section 30-14-501(2) of the IUSA as to each misrepresentation to each investor.

13. The PPM represented Harrison as an illiquid investment. The PPM also contained the Operating Arrangement for Harrison, which required a majority of the other members to authorize Harrison to repurchase a selling member's interest. Contrary to Harrison's Operating Arrangement, Densmore authorized and Harrison repurchased $100,000 of membership interests from a selling member. Densmore did not contact the other members of Harrison in order to gain authorization for this transaction nor was the $100,000 paid in four equal quarterly installments beginning with the date of closing as required. The funds used to repurchase the $100,000 of member interests came from Harrison's investors. Densmore's legal counsel has represented to the Complainant that "some of the language of PPM does not comport with verbal discussions between Mr. Densmore and HIL's investors. Mr. Densmore asserts that the offering was always designed to allow people to get all or some of their money back if HIL had the funds and the ability to do so without harming HIL's operation in any way, and that this position was always been made clear to investors prior to their investment." Densmore's verbal discussions and assertions were contrary to the information contained in the PPM.

14. Densmore's verbal representations and assertions to investors that were contrary to the information represented in the PPM as set forth in paragraph 13 above were made in connection with the offer, sale or purchase of securities. Densmore's verbal representations and assertions to investors that were contrary to the information provided in the PPM were material and were false and misleading, constituting violations of Section 30-14-501(2) of the IUSA as to each misrepresentation to each such investor.

15. The Complainant found that the PPM documents contained conflicting and/or inaccurate information regarding the Harrison offering. The conflicting and/or inaccurate

information covered a wide range of topics and included representations pertaining to the following:

- Establishment of a formal escrow account and depositing all funds received before being utilized by Harrison. No escrow account was established.
- Minimum offering to be raised prior to breaking escrow. The PPM indicates that minimum offering amount is either $300,000 or $200,000.
- Operating history of Harrison. Harrison was organized in 2009, but the PPM represents that Harrison had been in business for twelve (12) years in a private operating mode.
- Risk associated with an investment in Harrison. The PPM states, "Harrison will create a semi-conservative solid yielding, asset backed investment vehicle for investors." Harrison's emphasis is described as "providing safe investing..." Contrary to these representations, the PPM also described an investment in Harrison as speculative, involving a high degree of risk that is suitable only for investors who can afford to lose their entire investment.
- Investor suitability requirements. The PPM asserts in one section that the Harrison offering was only suitable for investors who qualified as accredited investors, and in another section that Units would also be offered to "Persons who, either alone or together with one or more purchaser representatives, have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment, and who meet the suitability standards established by the Company." The majority of investors in Harrison are non-accredited.
- Loans from its Manager. The PPM states, "Since inception, the Company has been party to various loans from its Manager. These loans, some of which have

been repaid, some of which have been converted to Units and some of which are currently outstanding, are believed to have been made on terms no less favorable to the Company than could otherwise be obtained from unaffiliated third parties." Respondents thru their legal counsel advised the Complainant that "HIL is not and has not been a party to any loan transaction nor to any mortgage."

- Description of Densmore's capital contribution. The PPM states, "On organization on July 22, 2009, the company issued 20 Units to Allan Densmore (founder) for consideration of $1000 per unit for a total of $20,000 as initial capital of the company." The Complainant found that Densmore's $20,000 contribution to Harrison was not all cash, but to an extent, consisted of in-kind contributions such as a yurt Densmore had purchased.

II.

CONCLUSIONS OF LAW

1. The Director has jurisdiction over this matter pursuant to the IUSA.

2. Respondents Harrison, DFG and Densmore offered and/or sold unregistered securities to investors in violation of Section 30-14-301 of the IUSA.

3. Respondents Densmore and Harrison violated Section 30-14-501(2) of the IUSA in providing an inaccurate balance sheet to investors that misrepresented the financial condition of Harrison.

4. Respondent Densmore violated Section 30-14-501(2) of the IUSA in providing verbal representations and assertions to investors that were contrary to the information represented in the PPM and in providing a PPM that contained conflicting and/or inaccurate information regarding the Harrison offering.

III.

REMEDIES

THEREFORE, on the basis of the Findings of Fact, and Respondent's agreement to the entry of this Agreement and Order, the Director finds that the following remedies are appropriate and in the public interest:

1. Respondents admit the Conclusions of Law contained in this Agreement and Order.

2. Respondents agree to disclose the following to all investors:

- Harrison Investment LLC issued unregistered securities in violation of Section 30-14-301 of the IUSA.
- Harrison's balance sheet dated July 27, 2009 and the selected financial information, that was part of the PPM, was not accurate and misrepresented the financial condition of Harrison.
- Densmore authorized and Harrison repurchased $100,000 in Harrison membership interests from a selling member without being authorized by a majority of Harrison's members as required by Harrison's Operating Arrangement. The $100,000 was not paid in four equal quarterly installments beginning with the date of closing as required by Harrison's Operating Agreement and the funds used to repurchase the membership interests were provided by investors.
- Densmore's contribution to Harrison was not all cash, but to an extent, consisted of in-kind contributions.

3. Respondents agree to provide a corrected balance sheet for Harrison as of July 27, 2009, prepared in accordance with Generally Accepted Accounting Principles (GAAP), to all investors within 60 days of issuance of this Agreement and Order.

4. Respondents agree to correct the PPM to remove all conflicting and inaccurate information and to provide corrected and accurate information to all investors within 60 days of issuance of this Agreement and Order.

5. Respondents agree that for a period of five (5) years following entry of this Order they will not issue any securities or engage in issuer activities.

6. Respondents agree that this Agreement and Order does not limit any investor's private right of action or the ability to file a complaint with the Complainant.

7. Respondents agree that any complaint received may be investigated by the Complainant and further action, including but not limited to, legal or administrative proceedings may be taken.

8. Respondents agree to comply with Rule 104.28 under the IUSA.

9. Respondents agree to comply with Section 30-14-501 of the IUSA.

10. Respondents agree that failure to comply with this Agreement and Order may result in the Director bringing further legal proceedings.

11. Respondents attest and avow that all information provided to the Complainant directly or through their legal representatives is true, accurate and complete.

12. Respondents waive notice and opportunity for a hearing under I.C. § 30-14-604(b) and (c), and under the contested case provisions of the Idaho Administrative Procedures Act, I.C. § 67-5240 et. seq.

13. The terms contained in this Agreement and Order constitute the entire agreement between Complainant and Respondents.

HARRISON INVESTMENTS, LLC

By: ALLAN H. DENSMORE
Title: Managing Member, Harrison Investments,LLC

ALLAN H. DENSMORE

By: ALLAN H. DENSMORE

DENSMORE FINANCIAL GROUP, INC.

By: ALLAN H. DENSMORE
Title: CEO, Densmore Financial Group, Inc.

State of Idaho

County of Canyon

SUBSCRIBED AND SWORN to before me this 13th day of April, 2011

NOTARY PUBLIC

My Commissions Exp: 9-2012

ANGELA CALHOUN NOTARY PUBLIC STATE OF IDAHO

MARILYN T. CHASTAIN
Bureau Chief, Securities Bureau
Department of Finance
State of Idaho

IT IS SO ORDERED

DATED this 15th Day of April, 2011.

STATE OF IDAHO
DEPARTMENT OF FINANCE

GAVIN M. GEE, Director