STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION

IN THE MATTER OF:

Nickolas Skaltsis,
Liberty Realty Trust, and
Phoenix Asset Group, Inc.
Respondents

ORDER TO CEASE & DESIST
I-2012-000033

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:26-a.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:23, the Secretary of State has the authority to issue and cause to be served an order requiring any person appearing to him to be engaged or about to be engaged in any act or practice constituting a violation of RSA 421-B or any rule or order thereunder, to cease and desist from violations of RSA 421-B.

Pursuant to RSA 421-B:24, I, any person who willfully violates a cease and desist order issued pursuant to RSA 421-B:23 shall be guilty of a class B felony.

Pursuant to RSA 421-B:26, the Secretary of State has the authority to impose administrative penalties of up to $2,500.00 for each violation of New Hampshire securities law and rules.
NOTICE OF RIGHT TO REQUEST A HEARING

The above named respondents have the right to request a hearing on this order to cease and desist, as well as the right to be represented by counsel. Any such request for a hearing shall be in writing, shall be signed by the respondents, or by the duly authorized agent of the above named respondents, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301.

Under the provisions of RSA 421-B:23, I, if respondents fails to request a hearing on this order within 30 calendar days of receipt of this order, respondents shall be deemed in default, and this order shall, on the thirty-first day, become permanent.

Upon request for a hearing being received by the Bureau of Securities Regulation, in the manner and form indicated above, a hearing shall be held not later than ten days after such request is received by the Bureau, after which hearing, the Secretary of State, or such other person authorized by statute, shall issue a further order vacating or modifying this order, or making it permanent, as the circumstances require.

STATEMENT OF ALLEGATIONS

The allegations contained in the Staff Petition for Relief dated January 23, 2012 (a copy of which is attached) are incorporated by reference hereto.
ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the allegations contained in the Staff Petition, if proved true and correct, form the legal basis of the relief requested,

It is hereby ORDERED, that:

1. The Respondents shall immediately cease and desist from the above indicated acts and from in any other way violating RSA 421-B;
2. The Respondents shall, jointly and severally pay an administrative fine in an amount to be determined by the hearings officer in accordance with RSA 421-B:10,VI, and RSA 421-B:26,III.
3. The Respondents shall, jointly and severally pay for the cost of the Bureau's Investigation of this matter, the amount of which shall be determined by the hearing officer, in accordance with RSA 421-B:22,IV.
4. The Respondents shall, jointly and severally pay restitution in an amount to be determined by the hearing officer, in accordance with RSA 421-B:26,V.
5. The Respondents are hereby barred from securities licensure in any capacity currently codified under RSA 421-B, in accordance with RSA 421-B:10.
6. Failure to request a hearing within 30 days of the date of receipt of this Order shall result in a default judgment being rendered, including imposition of fines and penalties upon the defaulting Respondents.
SIGNED,
WILLIAM M. GARDNER
Secretary of State
By His Designee:

Dated: 1-23-13

BARRY J. GLENNON, Director
N.H. Bureau of Securities Regulation
STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR RELIEF
IN THE MATTER OF:

Nickolas Skaltsis
Liberty Realty Trust
Phoenix Asset Group, Inc.

I-2012000033

STATEMENT OF ALLEGATIONS

I. The staff of the State of New Hampshire, Department of State, Bureau of Securities Regulation ("Bureau") alleges the following issues of fact:

Introduction

1. Nickolas Skaltsis ("Skaltsis") resides with his wife, Lorraine Skaltsis, at 6 Erik Drive in Dover, New Hampshire. Skaltsis and Lorraine Skaltsis are co-trustees of Liberty Realty Trust ("Liberty") and are also both officers and directors of Phoenix Asset Group, Inc. ("Phoenix"). Both Liberty and Phoenix are located at 6 Erik Drive in Dover, New Hampshire. Phoenix’s 2012 Annual Report filed with the New Hampshire Corporation Division maintains that Phoenix is in the business of acquiring, rehabilitating, and managing real estate. Skaltsis was an active member of the community in Dover, New Hampshire, where he is a former chairman of the Dover School Board in 2002, was on the board of directors for Dover Adult Learning in 2009-2011, and was a member of Dover’s McConnell Center Advisory Board.

The 2011-2012 Investors

2. Between February 4, 2011 and September 9, 2012, Skaltsis issued at least twenty-one unsecured promissory notes to thirteen individuals and raised at least $327,500. All but one of the twenty-one unsecured promissory notes were signed by Skaltsis in his capacity as trustee for Liberty. Seven of the twenty unsecured promissory notes that were signed by Skaltsis in his capacity as trustee of Liberty were also signed by Skaltsis individually. One unsecured promissory note appears to only be issued by Skaltsis individually. Of the $327,500 raised, only $15,000 of principal has been returned, leaving a total of $312,500 in principal still owed, plus any unpaid interest. The following is a summary of the 2011 and 2012 unsecured promissory notes currently known to the Bureau:
<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Investor</th>
<th>Interest</th>
<th>Borrower</th>
<th>Term</th>
</tr>
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<tbody>
<tr>
<td>2/4/2011</td>
<td>$15,000</td>
<td>Investor #1</td>
<td>14% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>1 year</td>
</tr>
<tr>
<td>3/24/2011</td>
<td>$20,000</td>
<td>Investor #2</td>
<td>14% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>1 year</td>
</tr>
<tr>
<td>6/21/2011</td>
<td>$20,000</td>
<td>Investor #3</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>7/7/2011</td>
<td>$30,000</td>
<td>Investor #2</td>
<td>5%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>3 months</td>
</tr>
<tr>
<td>7/8/2011</td>
<td>$10,000</td>
<td>Investor #3</td>
<td>4%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>3 months</td>
</tr>
<tr>
<td>7/8/2011</td>
<td>$10,000</td>
<td>Investor #4</td>
<td>4%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>3 months</td>
</tr>
<tr>
<td>8/2/2011</td>
<td>$20,000</td>
<td>Investor #5</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>9/8/2011</td>
<td>$20,000</td>
<td>Investor #6</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>10/17/2011</td>
<td>$10,000</td>
<td>Investor #3</td>
<td>5%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>3 months</td>
</tr>
<tr>
<td>10/17/2011</td>
<td>$10,000</td>
<td>Investor #4</td>
<td>5%</td>
<td>Nick Skaltsis, Trustee - Liberty / individually</td>
<td>3 months</td>
</tr>
<tr>
<td>10/17/2011</td>
<td>$12,500</td>
<td>Investor #7</td>
<td>12%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>6 months</td>
</tr>
<tr>
<td>12/8/2011</td>
<td>$20,000</td>
<td>Investor #8</td>
<td>12% + 2%</td>
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<td>1 year</td>
</tr>
<tr>
<td>1/3/2012</td>
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<td>Investor #9</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>2/23/2012</td>
<td>$20,000</td>
<td>Investor #10</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>3/8/2012</td>
<td>$20,000</td>
<td>Investor #10</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>4/9/2012</td>
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<tr>
<td>5/1/2012</td>
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<td>Investor #11</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>5/16/2012</td>
<td>$15,000</td>
<td>Investor #12</td>
<td>12% + 3%</td>
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<td>4 months</td>
</tr>
<tr>
<td>6/27/2012</td>
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<td>Investor #13</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>7/2/2012</td>
<td>$10,000</td>
<td>Investor #11</td>
<td>12% + 2%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>1 year</td>
</tr>
<tr>
<td>8/22/2012</td>
<td>$10,000</td>
<td>Investor #12</td>
<td>12% + 3%</td>
<td>Nick Skaltsis, Trustee - Liberty</td>
<td>6 months</td>
</tr>
</tbody>
</table>

**TOTAL:** $327,500 ($20,000 subtracted due to the 10/17/2011 rollover/reissuance of Investor #3 and Investor #4's unsecured promissory notes that were issued with no additional funds provided).

3. Investor #1 is from Dover, New Hampshire. Investor #1 maintains that he made the $15,000 investment with Skaltsis after representations from Skaltsis that the investment would be used for the purchase, rehabilitation, and resale of distressed properties in Strafford County. Investor #1 deferred his monthly interest payment and chose to collect all due interest and principal at the term of the note. A review of bank records reveals that Investor #1's $15,000 check was deposited into Skaltsis' personal bank account at People's United Bank. The balance of this account prior to Investor #1's check, deposited on February 4, 2011, was $2,23. Over the next thirty days, Investor #1's funds were depleted from the bank account through cash withdrawals totaling $11,540, a check to Phoenix for $1,250, two checks to Lorraine Skaltsis totaling $1,000, and other purchases that appear to be personal in nature, such as Hannaford, Shaw's, TJ Maxx, and Walgreens. By March 10, 2011, the balance in the People's United bank account was negative $1.22. There is no evidence that Investor #1's funds were used for any purchase or rehabilitation of properties. When the note became due, Skaltsis did not make payment. Investor #1 continued to press
Skaltsis for payment and eventually received $6,000 on July 7, 2012. Investor #1 is still due $9,000 of his original investment, plus interest.

4. Investor #2 is from Portsmouth, New Hampshire. Investor #2 maintains that Skaltsis led him to believe that his first $20,000 investment would be used to acquire, rehabilitate, and resell properties in Strafford County. Investor #2 claims that he received a 25% beneficiary in a life insurance policy on Skaltsis as partial collateral for his first promissory note. No such life insurance policy is mentioned in the note and the Bureau has yet to receive a copy of any insurance policy. A review of the bank records reveals that Investor #2’s $20,000 check was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #2’s check, deposited on March 24, 2011, was negative $1.22. Over the next thirty days, Investor #2’s funds were depleted from the bank account through cash withdrawals totaling $14,480, a check to Phoenix for $2,150, and other purchases that appear to be personal in nature, such as Walgreens, Market Basket, JC Penny, and Hannaford. By April 7, 2011, within two weeks of Investor #2’s $20,000 check being deposited, the balance in the People’s United Bank account was negative $14.71. There is no evidence that Investor #2’s funds were used for any purchase or rehabilitation of properties. At this time, the Bureau has been unable to locate where Investor #2’s second $30,000 check was deposited. The Bureau has no reason to believe the funds were used for the purchase or rehabilitation of property. Skaltsis was unable to return Investor #2’s principal when they became due. By August 2012, and after being constantly pursued by Investor #2 for a return of his money, Skaltsis returned Investor #2’s investments, plus interest.

5. Investor #3 and Investor #4 are husband and wife from Dover, New Hampshire. Investor #3 and Investor #4 maintain that they were shown photographs of prior successful renovations by Skaltsis prior to their first investment. They maintain that Skaltsis lead them to believe that their funds would be invested in similar projects in Strafford County. A review of bank records reveals that Investor #3’s initial investment of $20,000 was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #3’s check, deposited on June 21, 2011, was negative $19.64. Over the next eight days, Investor #3’s funds were depleted from the bank account through cash withdrawals totaling $10,500, two checks to Phoenix for $5,400, a check for $1,458.33 made payable to private lender who held a mortgage over Skaltsis’ personal residence, and other purchases that appear to be personal in nature, such as Hannaford, PSNH, Comcast, and Walgreens. By June 29, 2011, the balance in the People’s United Bank account was negative $64.87. There is no evidence that Investor #3’s funds were used for any purchase or rehabilitation of properties. Investor #3’s second $10,000 investment, as well as Investor #4’s first $10,000 investment, was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #3 and #4’s checks, deposited on July 8, 2011, was $64.87. Over the next twenty days, Investor #4 and #5’s funds were depleted from the bank account through cash withdrawals totaling $3,250, a check to Phoenix for $2,500, a check for $1,458.33 made payable to private lender who held a mortgage over Skaltsis’ personal residence, a check for $12,000 made payable to an individual to whom Skaltsis owed money from a prior real estate partnership deal that never transpired, and other purchases that appear to be personal in nature, such as Hannaford, Walgreens, and the Pet
Doctor. By July 25, 2011, the balance in the People’s United Bank account was negative $51.58. When Investor #3 and #4’s investments became due in October of 2011, Skaltsis convinced them to let their investments rollover and Skaltsis issued new unsecured promissory notes to Investor #3 and #4 with a slightly higher interest rate than the prior notes. There is no evidence that Investor #3 or #4’s funds were used for any purchase or rehabilitation of properties. Investor #3 and Investor #4 never received a return of their investment principal for any of their investments and interest payments ceased in October 2012.

6. Investor #5 is from Dover, New Hampshire. Prior to making this investment, Investor #6 maintains that he was driven to and given a tour of some prior successful projects by Skaltsis, as well as shown photographs of other successful projects by Skaltsis and real estate listings of properties that Skaltsis purported to want to acquire. Investor #5 maintains that he was lead to believe that his investment funds would be used by Skaltsis for the purchase, rehabilitation, and resale of properties in Strafford County. A review of bank records reveals that Investor #5’s investment of $20,000 was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #5’s check, deposited on August 2, 2011, was $923.42. Over the next fifteen days, Investor #5’s funds were depleted from the bank account through cash withdrawals totaling $10,100, five checks to Phoenix totaling $9,900, and other purchases that appear personal in nature, such as Wal-Mart, Weathervane, and The Cat Doctor. By August 17, 2011, the balance in the People’s United Bank account was $37.02. There is no evidence that Investor #5’s funds were used for any purchase or rehabilitation of properties. From August 2011 through August 2012, Investor #5 received his regular monthly interest checks. Sometimes the interest checks came late but Investor #5 eventually received all of them. Interest payments ceased in October 2012 and Investor #5 has not received a return of principal.

7. Investor #6 is from Dover, New Hampshire. Investor #6 maintains that he was given a tour of past successful projects by Skaltsis prior to his investment. Investor #6 maintains that Skaltsis lead him to believe that his investment would be used to acquire, rehabilitate, and resell properties in Strafford County. A review of bank records reveals that Investor #6’s $20,000 check was deposited into Skaltsis’ personal bank account at Citizens Bank. The balance of this account prior to Investor #6’s check, deposited on September 8, 2011, was $0. Over the next five days, Investor #6’s funds were depleted from the bank account through cash withdrawals totaling $12,900 and checks made payable to Skaltsis totaling $7,500. By September 14, 2011, the balance in the Citizens Bank account was $50. There is no evidence that Investor #6’s funds were used for any purchase or rehabilitation of properties. Investor #6 did not receive a return of his principal when it became due in September 2012 and all interest payments have ceased.

8. Investor #7 is from Dover, New Hampshire. Investor #7 understood that his investment would be used by Skaltsis for the purchase, rehabilitation, and resale of distressed properties in Strafford County. Investor #7 originally received all his interest payments, and when his note matured after six months, Investor #7 agreed to leave the investment with Skaltsis on the understanding that the note would continue to pay 1% interest per month. The Bureau has been unable to identify where Investor #7’s $12,500 check was cashed. There is no
evidence that Investor #7's funds were used for any purchase or rehabilitation of properties. Investor #7's interest payments have stopped and he has not received a return of his principal. Investor #7 was again approached by Skaltsis in November 2011 and solicited an additional $7,500 from Investor #7. Skaltsis represented that he needed the funds for a real estate rehabilitation that would be closing soon. Skaltsis represented that the $7,500 would be returned with interest within thirty days. The funds were never returned.

9. Investor #8 is from Dover, New Hampshire. Investor #8 maintains that he was shown four different past successful rehabilitation projects by Skaltsis prior to his first investment. Investor #8 maintains that Skaltsis lead him to believe that his funds would be used to acquire and rehabilitate distressed properties in Strafford County. After sixty days, when Investor #8's second promissory note became due, Skaltsis paid Investor #8 five hundred dollars ($500) for a thirty day extension. A review of bank records reveals that Investor #8's first investment of $20,000 was deposited into Skaltsis' personal bank account at People's United Bank. The balance of this account prior to Investor #8's $20,000 check, deposited on December 8, 2011, was $83.94. Over the next eleven days, Investor #8's funds were depleted from the bank account through cash withdrawals totaling $7,300, three checks to Phoenix totaling $3,450, a $5,000 check made payable to People's United, a $1,250 check paid to a debt collector, and other purchases that appear to be personal in nature, such as Hannaford, Walgreens, Market Basket, and Comcast. By December 19, 2011, the balance in the People's United Bank account was $915.54. There is no evidence that Investor #8's funds were used for any purchase or rehabilitation of properties. Investor #8's second investment of $25,000 was deposited into Skaltsis' personal bank account at Citizens Bank. The balance of this account prior to Investor #8's $25,000 check, deposited on April 9, 2012, was $22.46. Over the next four days, Investor #8's funds were depleted from the bank account through cash withdrawals totaling $10,800, two checks to Phoenix totaling $3,000, checks payable to Skaltsis totaling $3,500, and a $7,500 check made payable to Investor #2. By April 13, 2012, the balance in the Citizens Bank account was negative $1,886.87. There is no evidence that Investor #8's funds were used for any purchase or rehabilitation of properties. Investor #8 continued to receive interest payments until October 2012 when all interest payments ceased. Investor #8 has also not received a return of principal for either of his two investments.

10. Investor #9 is from Dover, New Hampshire. Investor #9 maintains that he was shown a binder of photographs of prior successful projects and also physically taken by Skaltsis to tour a rental property in Rochester, New Hampshire prior to his investment. Investor #9 maintains that Skaltsis led him to believe that Skaltsis would use his investment to acquire and rehabilitate distressed properties in Strafford County. A review of bank records reveals that Investor #9's $20,000 check was deposited into Skaltsis' personal bank account at Citizens Bank. The balance of this account prior to Investor #9's check, deposited on January 3, 2012, was $12.82. Over the next twenty days, Investor #9's funds were depleted from the bank account through cash withdrawals totaling $14,290, checks made payable to Skaltsis totaling $3,600, and two checks to Phoenix totaling $2,000. One check made payable to cash for $5,000 had Investor #2's name in the memo line. By January 23, 2012, the balance in the Citizens Bank account was negative $22.24. There is no evidence that Investor #9's funds were used for any purchase or rehabilitation of properties. Investor #9's
interest payments ceased in September 2012 and he has not received the return of his principal.

11. Investor #10 is from Dover, New Hampshire. Prior to her first investment, Investor #10 maintains that she was given a booklet of photographs by Skaltsis of past successful rehabilitation projects and was taken by Skaltsis to tour past successful property renovations. Investor #10 maintains that Skaltsis lead her to believe that the funds she invested, and the funds she invested on behalf of her mother, Investor #13, would be used in the purchase, rehabilitation, and resale of distressed properties in Strafford County. A review of bank records reveals that Investor #10’s initial investment of $20,000 was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account two days prior to Investor #10’s check being deposited, on February 21, 2012, was $22.71. Over the next fourteen days, Investor #10’s funds were depleted from the bank account through cash withdrawals totaling $6,066.52, three checks to Phoenix totaling $2,500, a check for $1,458.33 made payable to private lender who held a mortgage over Skaltsis’ personal residence, a check to Lorraine Skaltsis for $200, a check for $5,000 made payable to Investor #2, and several purchases that appear to be personal in nature, such as Comcast, credit card payments, hospital bills, The Cat Doctor, and Walgreens. By March 7, 2012, the balance in the People’s United Bank account was $206.42. There is no evidence that Investor #10’s funds were used for any purchase or rehabilitation of properties. Investor #10’s second investment of $20,000 was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #10’s check, deposited on March 7, 2012, was $206.43. Over the next thirty days, Investor #10’s funds were depleted from the bank account through cash withdrawals totaling $3,480, three checks to Phoenix totaling $1,850, a check for $1,458.33 made payable to private lender who held a mortgage over Skaltsis’ personal residence, a check for $10,000 made payable to Investor #2, two checks for a total of $1,500 made payable to Lorraine Skaltsis, and other purchases that appear to be personal in nature. By April 3, 2012, the balance in the People’s United Bank account was negative $803.29. There is no evidence that Investor #10’s funds were used for any purchase or rehabilitation of properties. The interest payments for Investor #10’s two notes ceased in September 2012 and she has not received a return of her principal.

12. Investor #11 is from Newton, New Hampshire. Investor #11 maintains that both his investments were made after representations from Skaltsis that the investment would be used for the purchase, rehabilitation, and sale of distressed properties in Strafford County. Investor #11 understood that the funds would be generally used in the operation of Liberty and not tied to a specific project or property. A review of bank records reveals that Investor #11’s initial investment of $10,000 was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #11’s check, deposited on May 2, 2012, was negative $1,610.69. Over the next thirty days, Investor #11’s funds were depleted from the bank account through cash withdrawals totaling $6,960, a check to Phoenix for $500, and several purchases that appear to be personal in nature, such as Hannaford, Comcast, Rite Aid, Walgreens, and The Cat Doctor. By May 25, 2012, after a cash deposit of $1,900, the balance in the People’s United Bank account was $275.28. There is no evidence that Investor #11’s funds were used for any purchase or rehabilitation of properties. Investor #10’s mother’s $20,000 investment, identified as Investor #13, along
with Investor #11’s second $10,000 investment, was deposited into Skaltsis’ personal bank account at Citizen’s Bank. The balance of this account four days prior to Investor #13 and #11’s checks, deposited on July 6, 2012, was $78.19. Over the next thirty days, Investor #13 and Investor #11’s funds were depleted from the bank account through cash withdrawals totaling $15,592, five checks to Phoenix totaling $4,500, checks made payable to Skaltsis totaling $3,400, a check for $6,000 made payable to Investor #1, and a check for $1,000 made payable to Lorraine Skaltsis. By August 8, 2012, the balance in the Citizens Bank account was negative $986.88. There is no evidence that Investor #13 or Investor #11’s funds were used for any purchase or rehabilitation of properties. Investor #11 and Investor #13 have not received their regular monthly interest payments since September 2012 and have not received a return of their principals.

13. Investor #12 is from Dover, New Hampshire. Investor #12 maintains that both his investments were made after representations from Skaltsis that the funds would be used for the purchase, rehabilitation, and later rental or sale of distressed properties in Strafford County. Investor #12 maintains that, prior to his investments, he was shown pictures of prior successful renovations by Skaltsis in Strafford County. Investor #12’s understanding was that the funds would be generally used in the operation of Liberty and not tied to a specific project or property. A review of bank records reveals that Investor #12’s initial investment of $15,000 was deposited into Skaltsis’ personal bank account at Citizens Bank. The balance of this account prior to Investor #12’s check, deposited on May 16, 2012, was $2,15. Over the next nine days, Investor #12’s funds were depleted from the bank account through cash withdrawals totaling over $12,500, five checks to Phoenix totaling $1,800, and other purchases that appear personal in nature, such as Hannaford, Walgreens, and The Cat Doctor. By May 25, 2012, the balance in the Citizens Bank account was $110.99. Investor #12’s second $10,000 investment was deposited into Skaltsis’ personal bank account at People’s United Bank. The balance of this account prior to Investor #12’s check, deposited on August 22, 2012, was $1,979.12. Over the next three days, Investor #12’s funds were depleted from the bank account through cash withdrawals totaling $9,500 and other purchases that appear personal in nature, such as Walgreens and The Cat Doctor. There is no evidence that Investor #12’s funds were used for any purchase or rehabilitation of properties. Investor #12 has not received his regular monthly interest payments or either note since September 2012 and has not received the return of principal for either of his investments.

Pre-2011 Activity

14. Staff of the Bureau interviewed several individuals that were involved with Skaltsis prior to 2011. The Bureau identified at least three individuals who lent funds for specific real estate projects prior to 2011. These situations were very different than that of the investors identified above. In most instances, the pre-2011 activity involved lending money to Tobias Investments, LLC (hereinafter “Tobias”), an entity owned by Skaltsis’ daughter and son-in-law. The funds were advanced for a specific real estate venture. In return for lending funds to Tobias, these lenders would typically receive a secured promissory note signed by Skaltsis’ daughter and secured by the property to be rehabbed. Although the loan and renovation was through Tobias and Skaltsis, these lenders understood that Skaltsis would be
handling the finances and doing the renovations. Skaltsis solicited the loan, brokered the
loans with his attorney, and handled all the rehabilitation. Upon completion of the
renovation, Skaltsis’ daughter and son-in-law would obtain traditional financing and the
lender would be repaid their principal, plus interest. This model was successful for some
projects but the Bureau learned that at least one of these three lenders is still owed money by
Skaltsis on a secured deal and another is still owed money by Skaltsis on an investment, as
described in paragraph 15 and 16 below.

15. Investor #14 is from Brunswick, Maine and is one of the three secured lenders described in
paragraph 14 above. Aside from Investor #14’s secured lending transactions, he also made
a $10,000 investment with Skaltsis on February 10, 2010 and received an unsecured
promissory note promising 14% interest. Investor #14 understood his funds to be used by
Skaltsis for his rehabilitation business. Investor #14 did receive a return of his principal plus
interest on this $10,000 investment. However, Investor #14 is still owed approximately
$30,000 in principal on a secured lending transaction, as discussed in paragraph 14 above.
Investor #14 successfully sued Skaltsis for nonpayment of the $30,000 and interest owed,
but he has yet to collect any money from Skaltsis.

16. Investor #15 is from Portland, Maine and is one of the three secured lenders described in
paragraph 14 above. Investor #15 made one successful secured lending transaction with
Skaltsis prior to being solicited by Skaltsis for a $25,000 investment in July of 2010.
Investor #15 maintains that he was told by Skaltsis that his funds would be used for the
purchase, rehabilitation, and resale of properties in Strafford County. Investor #15
maintains that Skaltsis was supposed to provide an unsecured promissory note but he never
did. Investor #15 also never received a return of his principal and is still owed
approximately $25,000, plus interest.

17. The Bureau has further learned that, in October 2009, Skaltsis was involved in the
secondary sale of a second mortgage held by Tobias on Skaltsis’ home. An individual from
Massachusetts, on recommendation from her financial adviser, provided Skaltsis with
$125,000 and in return received an assignment of that mortgage by Tobias and a one year,
interest-only promissory note executed by Tobias. The financial adviser who made the
recommendation claimed that he dealt exclusively with Skaltsis and believed the funds were
being provided to Skaltsis, not Tobias. The interest payments eventually ceased and the
Massachusetts resident’s out-of-pocket losses are $125,000, less the amounts she received in
interest. A review of Skaltsis’ bank records revealed that he used post-2011 investor funds
to make interest payments on this mortgage.

Other Suspicious Activity

18. The Bureau has learned that Skaltsis solicited personal loans from several people over the
past three years. In at least three instances, Skaltsis issued an unsecured promissory note in
return for the loan. Some of the personal loans have been paid back but others are still
outstanding. The Bureau identified at least four personal loans from four different people
with the most recent being in October of 2012. Over $14,000 in principal is still owed to
two of these individuals.
19. The Bureau has also learned that Skaltsis solicited individuals for real estate partnerships in the past few years. One individual claims that Skaltsis still owes him $51,250 for a past real estate partnership where the individual provided Skaltsis with $51,250 to rehabilitate a property they co-owned and Skaltsis just walked with the funds and never even began the renovations.

20. In one instance in December 2010, Skaltsis solicited $21,000 from a husband and wife from Dover, New Hampshire with the expectation that they would become equity partners in a specific real estate project, making decisions together, and eventually sharing ownership of a rehabilitated multi-unit property. After forwarding the $21,000, Skaltsis never completed the anticipated purchases. After approximately six months of demanding a return of their funds, Skaltsis returned their $21,000. A review of Skaltsis’ bank records revealed that he used post-2011 investor funds to make some of these return payments.

21. The Bureau learned that Skaltsis solicited another real estate partnership from Investor #10’s daughter in 2012. Investor #10’s daughter sent Skaltsis $29,000 in June and July 2012 with the expectation the funds would be used in a partnership on three separate properties in Strafford County. The expectation was that Investor #10’s daughter and Skaltsis would be equal partners on the properties and Investor #10’s daughter would learn the ropes of the business of rehabilitating distressed homes for a profit. Skaltsis never acquired any properties and never returned the $29,000.

*Strafford County Registry of Deeds Research*

22. As most of the investors described above intended their funds to be used for the purchase, rehabilitation, and resale of properties in Strafford County, staff of the Bureau conducted a review of the Registry of Deeds for Strafford County. Searches were conducted under Skaltsis, Lorraine Skaltsis, Liberty, Phoenix, and Tobias. This research did not reveal any purchases of property or recording of title or deed by either Skaltsis, Lorraine Skaltsis, Liberty, or Phoenix in 2011 or 2012, this is despite the fact that Skaltsis raised at least $327,500 in investor funds since the beginning of 2011 purportedly to acquire, rehab and sell properties in Strafford County. This amount does not include all the loan funds and partnership funds received and not returned in 2011 and 2012, as discussed above. Some investors described seeing Skaltsis’ work trailer at his home in the summer of 2012 and the trailer hadn’t moved for well over a year. At least one investor described seeing that the trailer was parked at Skaltsis’ home for so long that it began sinking into the asphalt on the driveway.

23. The research of the Registry of Deeds for Strafford County did reveal at least four ex parte attachments against Skaltsis, Liberty, and Phoenix by individuals described above that were related to the unpaid funds described above. One of the attachments is also against Tobias.

*The Role of Phoenix Asset Group*

24. Although many of the investors described above invested with Skaltsis and Liberty, many of
them received their interest checks from Phoenix. The Bureau’s investigation revealed that Skalsis also used Phoenix as a property management company for the management of multi-family properties owned by Tobias. A review of Skalsis’ bank records show significant transfers from his personal accounts to Phoenix’s Bank of America account, where much of the interest paid to investors was paid from. A total of $41,100 of investor funds have been traced as being deposited in either Skalsis’ person People’s United Bank account or personal Citizens Bank account and transferred by check to Phoenix. These investor funds were comingled with Tobias’ rental funds and other funds of Phoenix.

25. The Bureau also learned that Skalsis issued at least one $20,000 unsecured promissory note from Phoenix to one of his family members. This note was signed in Skalsis’ capacity as President of Phoenix and in his individually capacity. The unsecured promissory note is dated May 24, 2011 and promises a 12% return, with a term of six months. At this time, the Bureau has not contacted this family member for an interview and the circumstances surrounding the issuance of this note are unknown.

Skalsis and Lorraine Skalsis Failed to Produce Documents

26. In September 2012, the Bureau requested documents from Skalsis on a voluntary basis. Although some documents were produced, Skalsis failed to provide most of the requested documents. As a result, on October 2, 2012 the Bureau issued a subpoena duces tecum to Skalsis. This subpoena duces tecum requested many of the same documents that Skalsis failed to provide on a voluntary basis and required production within ten days. Skalsis again failed to make a complete production to the Bureau.

27. A subpoena was also sent to Lorraine Skalsis. Lorraine Skalsis did not produce many of the documents requested. Lorraine Skalsis also failed to cooperate with a request for a statement by the Dover Police Department.

Skalsis is Heavily in Debt

28. In addition to the unpaid funds described above, on March 30, 2007, the New Hampshire Supreme Court affirmed a lower court decision ordering Skalsis to pay $703,504.99 on an unpaid promissory note from 1990. On March 22, 2011, Skalsis was ordered by Strafford County Superior Court to pay $1,200 per month towards this debt. The attorney attempting to collect this debt informed the Bureau that Skalsis has often been late in making these required payments. On several occasions since the March 22, 2011 order, contempt proceedings have been filed against Skalsis for failure to make the required payments. Another contempt hearing is scheduled for later this month. A review of Skalsis’ bank records revealed that he was making payments on this judgment from monies received from the investors identified above. The investors described above were not told of this significant debt when Skalsis solicited their investments.

29. By the time Skalsis solicited investor funds in 2011, he was already heavily in debt to prior secured lenders, prior investors, and the $703,504.99 judgment against him. A review of Skalsis’ bank records also show significant credit card debt and very little disposable cash
beginning in 2011.

*Skaltsis Operated a Ponzi Scheme*

30. Staff of the Bureau conducted a review of the People’s United Bank account of Skaltsis and Lorraine Skaltsis. Most of the checks from the investors identified above were deposited into this account. Despite the fact that many of the investors received promissory notes issued by Liberty, the People’s United Bank account is a personal account of Skaltsis and Lorraine Skaltsis and not an account of Liberty. Skaltsis and Lorraine Skaltsis also maintained a personal account at Citizens Bank where at least five investor checks were deposited. In both the People’s United Bank account and Citizens Bank account, Skaltsis comngled funds.

31. During the period that Skaltsis was soliciting and receiving funds from investors purportedly to acquire, rehabilitate, and resell properties, the Bureau identified approximately $250,000 in cash withdrawals from the People’s United Bank account though ATM withdrawals and checks written to cash from March of 2010 through October 2012. From March of 2010 through October 2012, Bureau staff also identified approximately $117,000 transferred from Skaltsis’ People’s United Bank account to Phoenix’s Bank of America account. As of October 10, 2012, the balance in the People’s United Bank account was negative $1,33. The Bureau also identified at least $10,000 in transfers between Skaltsis’ personal Citizens Bank account to Phoenix’s Bank of America account.

32. There have been no bank accounts located in the name of Liberty. Further analysis of Skaltsis’ personal People’s United Bank and Citizen’s Bank accounts confirmed that there were no withdrawals consistent with the purchase of property since 2010, aside from a single $5,000 deposit check for the purchase of a real estate property in Dover. That $5,000 check was forfeited by Skaltsis in August 2012 when he didn’t come up with the necessary cash to close.

33. A review of Skaltsis’ People’s United Bank and Citizens Bank account revealed that Skaltsis hasn’t received any significant monies from any other source besides investor funds since early 2011.

34. As described in greater detail above, within a week of receiving an investor’s check in 2011 and 2012, Skaltsis would deposit the funds in his personal account and almost immediately deplete a significant portion of the investment through cash withdrawals or checks to himself. Significant sums were also sent to Phoenix’s Bank of America account, where investor interest checks were drawn from. Finally, the Bureau has identified numerous instances where investor funds were used to pay Skaltsis’ prior investors or other personal debts.

35. The use of new monies to pay old debts, the comngling of investor funds in a personal account with other investors funds, the conversion of investor checks to cash, and the evidence that Skaltsis convinced some investors to rollover their funds so he wouldn’t have to return their principals, are all hallmarks of a Ponzi scheme. Coupled with the fact that
Skaltsis was heavily in debt and that very little to no business activity occurred while Skaltsis was raising hundreds of thousands of dollars in 2011 and 2012, the Bureau is confident that Skaltsis was operating a Ponzi scheme.

Total Losses and Debts

36. As described in paragraphs 2-13 above, of the $327,500 raised from Investor #1 through #13, Skaltsis still owes approximately $271,500 in principal for the twenty-one unsecured promissory notes Skaltsis issued in 2011 and 2012. As described in paragraphs 8 and 16 above, Skaltsis owes an additional $7,500 to Investor #7 and $25,000 to Investor #15 for investments that Skaltsis solicited but for which Skaltsis never provided a promissory note. This brings the total owed by Skaltsis for prior investments to $304,000. These amounts only represent the amount of investment principal still owed and does not reflect any interest already received by the investors or any interest still owed to the investors.

37. As described in paragraph 15 and 18 above, Skaltsis still owes $30,000 on a past secured lending deal and a total of $14,000 to two individuals for personal loans. As described in paragraph 19 and 21 above, Skaltsis owes $80,250 in prior partnership deals. This brings the total owed by Skaltsis for prior investments, secured deals, personal loans, and partnership deals to $428,250. This figure does not reflect the defaulted mortgage of $125,000 as described in paragraph 17 above, or the judgment against Skaltsis as described in paragraph 28 above, which would bring Skaltsis’ total debts to $1,256,754.99. As this review is ongoing and the Bureau continues to investigate, additional losses and debts may be identified.

Skaltsis Attempts Suicide

38. The Bureau has learned that, on October 12, 2012, Skaltsis was located by the police department in Wells, Maine and that it appeared that Skaltsis had attempted suicide by running a generator inside his vehicle. Skaltsis was taken to Southern Maine Medical Center for treatment and later released. The Bureau has also learned that Skaltsis has since spent some time at the New Hampshire Hospital in Concord, New Hampshire and believes he is still there today.

STATEMENT OF LAW

II. The Staff of the Bureau alleges the following issues of law:

1. Skaltsis, Liberty and Phoenix are persons under RSA 421-B:2, XVI.

2. Skaltsis, Liberty and Phoenix are “issuers” and “issuer-dealers” under RSA 421-B:2, XIII and RSA 421-B:2, XIII-a.

3. Pursuant to RSA 421-B:3, it is unlawful for any person, in connection with the offer, sale, or
purchase of any security, directly or indirectly: (a) To employ any device, scheme, or artifice to defraud; (b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading; or (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. Skalsis and Liberty are in violation of this provision for using a device, scheme, or artifice to defraud investors. Skalsis used his position of trust in the community and friendship with several of the investors to lure them into his scheme. Skalsis made material omissions and untrue statements to lure them to invest with him by claiming the monies would be used for the purchase, rehabilitation, and resale of distressed properties in Strafford County when in fact the funds were misappropriated for personal use and no properties were ever purchased. Skalsis further omitted material information about its significant debts and high likelihood of being unable to return the funds. Skalsis' course of conduct outlined in this petition acted as a fraud and deceit upon investors.

4. Pursuant to RSA 421-B:6, it is unlawful for any person to transact business in this state as a broker-dealer, issuer-dealer, investment adviser, or agent unless such person is licensed under this chapter. Skalsis, Liberty, and Phoenix are in violation of this provision for issuing securities without having first been licensed by the Bureau.

5. Pursuant to RSA 421-B:10, I(a) and I(b)(13), the secretary of state may by order bar any person from licensure if he or she finds that the order is in the public interest and the person has, upon request reasonably made by the secretary of state, withheld or concealed information from, or refused to furnish information to, the secretary of state. Skalsis, Liberty, and Phoenix are in violation of this provision for failing to furnish information reasonably requested by the Bureau.

6. Pursuant to RSA 421:11, I, it is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under RSA 421-B:17, or it is a federal covered security for which the fee has been paid and documents have been filed as required by paragraph I-a of this section. Skalsis, Liberty, and Phoenix are in violation of this provision for issuing securities without those securities having first been registered, exempt, or notice filed with the Bureau. The burden to prove any exemption from registration is on Skalsis. At this time, the Bureau is not certain it has uncovered every unsecured promissory note issued by Skalsis and, as discussed above, Skalsis failed to produce several documents requested and subpoenaed by the Bureau.

7. Pursuant to RSA 421-B:22, IV, in any investigation to determine whether any person has violated or is about to violate this title or any rule under this title, upon the secretary of state's prevailing at hearing, or the person charged with the violation being found in default, or pursuant to a consent order issued by the secretary of state, the secretary of state shall be entitled to recover the costs of the investigation, and any related proceedings, including reasonable attorney's fees, in addition to any other penalty provided under this chapter. Skalsis, Liberty, and Phoenix are subject to this provision.

8. Pursuant to RSA 421-B:23, I, whenever it appears to the secretary of state that any person
has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Skaltsis, Liberty, and Phoenix are subject to this provision.

9. Pursuant to RSA 421-B:26, III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed $2,500, or both. Each of the acts specified shall constitute a separate violation Skaltsis, Liberty, and Phoenix are subject to this provision.

10. Pursuant to RSA 421-B:26, V, after notice and hearing, the Secretary of State may enter an order of rescission, restitution, or disgorgement directed to a person who has violated RSA 421-B. Skaltsis, Liberty, and Phoenix are subject to this provision.

RELIEF REQUESTED

III. The staff of the Bureau of Securities Regulation requests the Director take the following action:

1. Find as fact the allegations contained in Section I of the Statement of Allegations of this petition.

2. Make conclusions of law as stated in Section II relative to the allegations contained in section I of this petition.

3. Order Skaltsis, Liberty, and Phoenix to cease and desist, in accordance with RSA 421-B:23, I.

4. Order Skaltsis, Liberty, and Phoenix barred from securities licensure in any capacity as currently codified under RSA 421-B, in accordance with RSA 421-B:10.

5. Order Skaltsis, Liberty, and Phoenix to pay, jointly and severally, an administrative fine in an amount to be determined by the hearing officer and in accordance with RSA 421-B:10, VI, and RSA 421-B:26, III.

6. Order Skaltsis, Liberty, and Phoenix to pay, jointly and severally, for the cost of the investigation of this matter in an amount to be determined by the hearing officer and in accordance with RSA 421-B:22, IV.

7. Order Skaltsis, Liberty, and Phoenix to pay, jointly and severally, restitution in an amount to be determined by the hearing officer and in accordance with RSA 421-B:26, V.
8. Take such other actions as necessary for the protection of New Hampshire investors and enforcement of the Act.

RIGHT TO AMEND

The Bureau's Staff reserves the right to amend this Petition for Relief and to request that the Director of Securities take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this NH RSA 421-B or the regulations thereunder.

Respectfully submitted by:

Eric Forcier, Staff Attorney

Jeffrey Spill, Deputy Director

Date

1/23/2013

1/23/2013