

1
2 **STATE OF CALIFORNIA**
3 **BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY**
4 **DEPARTMENT OF BUSINESS OVERSIGHT**

5 TO: Gilmore E. Erickson
6 Alexander W. Erickson
7 William Erickson
8 Grandpoint Community Builders, Inc.
9 Delmas Tower, LLC
10 Fifth Street Tower, LLC
11 160 West Santa Clara Street, Suite 700
12 San Jose, California 95113

13
14 Lamyle Porter
15 Porter Investment Business Group
16 PBG Capital, Inc.
17 329 S. San Antonio Road, Suite One
18 Los Altos, California 94022

19
20 Masood Sarwari
21 Maryem Sarwari
22 Leonora Egutkina
23 National Real Estate Investment Club
24 National Realty, Inc.
25 39 California Avenue, Ste. 208
26 Pleasanton, California 94566

27 **DESIST AND REFRAIN ORDER**

28 **(For violations of section 25110, 25210 and 25401 of the Corporations Code)**

The Commissioner of Business Oversight finds that:

1. Grandpoint Community Builders, Inc. dba Next Group and dba Northpoint Development (“Northpoint”) was a corporation formed in California on February 16, 2005. Gilmore E. Erickson (“Gil Erickson”) was its founder and chairman, Alexander W. Erickson (“Alexander Erickson”, the son of Gil Erickson) was the chief executive officer, and William Erickson (the brother of Gil Erickson) was corporate secretary (collectively referred to as “the Ericksons”). At all

1 relevant times, Northpoint had a business address of 160 West Santa Clara Street, Suite 700, San
2 Jose, California 59113. The purpose of Northpoint was to provide real estate development services
3 for multi-unit residential projects in the downtown San Jose area. Each individual development
4 project was in the name of a limited liability company.

5 2. Lamyle Porter is an individual who resides in California and was a California licensed
6 real estate broker and designated officer of PBG Capital, Inc., a California corporation. Lamyle
7 Porter was also doing business as Porter Investment Business Group. Lamyle Porter used a business
8 address of 329 South San Antonio Road, Suite One, Los Altos, California, 94022. Lamyle Porter and
9 PBG Capital, Inc. received brokerage commissions on the sale of securities to clients who were
10 noteholders of Fifth Street Tower, LLC and Delmas Tower, LLC.

11 3. Masood and Maryem Sarwari reside in California and Maryem Sarwari was a
12 California licensed real estate broker and designated officer of National Realty, Inc. Masood Sarwari
13 doing business as National Real Estate Investment Club and National Realty, Inc. used a business
14 address of 39 California Avenue, #208, Pleasanton, California, 94566. Leonora Egutkina worked for
15 National Real Estate Investment Club and had a business address of 39 California Avenue, #208,
16 Pleasanton, California, 94566. National Realty, Inc., and Masood and Maryem Sarwari received
17 brokerage commissions on the sale of securities to clients who were noteholders of Fifth Street
18 Tower, LLC and Delmas Tower, LLC.

19 4. On February 1, 2007, Alexander Erickson and Northpoint formed Delmas Tower,
20 LLC, (“Delmas Tower”) a California limited liability company, to manage the Delmas Tower
21 development project. Gil Erickson, Alexander Erickson, and William Erickson were members of
22 Delmas Tower. Northpoint was the manager of Delmas Tower. Delmas Tower held a contractual
23 right to purchase real property on Delmas Avenue in San Jose and was negotiating with commercial
24 banks for a purchase-money loan of approximately \$3,500,000 that would be secured in favor of that
25 bank with a First Deed of Trust. The plan was that eventually a building called “Delmas Tower”
26 containing eighty-two urban residences would be constructed on the property, but no building was
27 ever commenced.

28

1 5. Between January 2007 through August 2007, Lamyle Porter, PBG Capital, Inc., Porter
2 Investment Business Group, Masood and Maryem Sarwari, National Realty, Inc., Leonora Egutkina,
3 Northpoint, the Ericksons, and Delmas Tower offered and sold securities in the form of 12 month
4 term promissory notes with an interest rate of 50% per annum. The funds were to be used for various
5 business purposes. These promissory notes were not secured by a lien or deed trust but only
6 guaranteed by Northpoint and Gilmore Erickson for himself and as trustee of The Erickson Family
7 Trust. A total of \$2.6 million was raised from purchasers of the notes for Delmas Tower, LLC, some
8 of whom were publicly solicited.

9 6. On October 12, 2007, Alexander Erickson and Northpoint formed Fifth Street Tower,
10 LLC (“Fifth Street Tower”) a California limited liability company, to manage the Fifth Street Tower
11 development project. Gil Erickson, Alexander Erickson, and William Erickson were members of
12 Fifth Street Tower. Northpoint was the manager of Fifth Street Tower. Northpoint assigned to Fifth
13 Street Tower contractual rights to purchase real property located on North Fifth Street and North
14 Sixth Street in San Jose, CA, and was planning further development and eventual construction of 384
15 high-rise urban residences called “Fifth Street Towers”. However, no land was purchased and no
16 building was constructed.

17 7. Between September of 2007 and November 2008, Lamyle Porter, PBG Capital, Inc.,
18 Porter Investment Business Group, Masood and Maryem Sarwari, National Realty, Inc., Leonora
19 Egutkina, Northpoint, the Ericksons, and Fifth Street Tower offered and sold securities in the form of
20 18 month term promissory notes with an annualized interest rate of 50%. These funds were to be
21 used for debt retirement and also for general business uses, including, in part, costs and overhead
22 related to its various residential development projects located in San Jose, CA. These promissory
23 notes were not secured by a lien or Deed of Trust, but only guaranteed by Northpoint and Gilmore
24 Erickson for himself and as trustee of The Erickson Family Trust. A total of \$4.4 million dollars
25 was raised from purchasers of the notes for Fifth Street Tower, LLC, some of whom were publicly
26 solicited.

27 8. When payouts were due, neither the issuer of the notes nor the guarantors paid the
28 noteholders. Indeed, on April 15, 2009 Gil Erickson and his wife Dresden Erickson, Grandpoint

1 Community Builders, Inc. dba Next Group, dba Northpoint Development filed for Chapter 7
2 discharge of debts in U. S. Bankruptcy Court, Northern District of California, Bankruptcy Petition #
3 09-52811. Gil Erickson was discharged on December 28, 2010. Eighty purchasers of notes lost
4 approximately \$7,000,000.

5 9. In connection with these offers and sales, Northpoint, Delmas Tower, Fifth Street
6 Tower, Alexander Erickson, William Erickson, and Gil Erickson failed to disclose the following
7 material facts:

8 a.) In connection with these offers and sales of securities, The Erickson Family Trust
9 “assets”, consisting mostly in unspecified “rights to certain property”, were highly
10 speculative, illiquid, and unsuitable for guaranteeing these financial obligations.

11 b.) On March 10, 1997 the California Attorney General’s Office filed a criminal
12 action against Gilmore E. Erickson in the Superior Court in the County of Santa
13 Clara, Information No. 194762, for grand theft and fraud in the offer and sale of
14 securities, and on December 12, 1997 Gil Erickson pled guilty to felony grand
15 theft, was convicted, and spent close to two years in prison.

16 10. These securities have been offered and sold in issuer transactions. The Department of
17 Business Oversight (formerly the Department of Corporations) has not issued a permit or other form
18 of qualification authorizing any person or entity to offer or sell these securities in this state.

19 11. Neither Lamyle Porter, PBG Capital, Inc., Porter Investment Business Group, Masood
20 and Maryem Sarwari, National Realty, Inc., nor Leonora Egutkina have applied for nor secured from
21 the Commissioner of Business Oversight a certification authorizing them to operate in the capacity of
22 a securities broker-dealer in the State of California.

23
24 Based on the foregoing findings, the Commissioner of Business Oversight is of the opinion
25 that the promissory notes offered and sold by Grandpoint Community Builders, Inc. dba Next Group
26 and dba Northpoint Development, Gilmore E. Erickson, Alexander W. Erickson, William Erickson,
27 Fifth Street Tower, LLC, Delmas Tower, LLC, Lamyle Porter, PBG Capital Inc., Porter Investment
28 Business Group, Masood and Maryem Sarwari, Leonora Egutkina, National Real Estate Investment

1 Club, and National Realty, Inc. constitute securities, which are subject to qualification under the
2 California Corporate Securities Law of 1968, and that these securities have been offered and sold and
3 without being qualified in violation of Corporations Code section 25110.

4 Pursuant to Corporations Code section 25532, Grandpoint Community Builders, Inc. dba
5 Next Group and dba Northpoint Development, Gilmore E. Erickson, Alexander W. Erickson,
6 William Erickson, Fifth Street Tower, LLC, Delmas Tower, LLC, Lamyle Porter, PBG Capital Inc.,
7 Porter Investment Business Group, Masood and Maryem Sarwari, Leonora Egutkina, National Real
8 Estate Investment Club, and National Realty, Inc. are hereby ordered to desist and refrain from the
9 further offer or sale of securities in the State of California, including but not limited to promissory
10 notes unless and until qualification has been made under the law or unless exempt.

11 The Commissioner of Business Oversight is further of the opinion that Lamyle Porter, PBG
12 Capital Inc., Porter Investment Business Group, Masood and Maryem Sarwari, Leonora Egutkina,
13 and National Realty, Inc. have induced the sale of securities in this state without having first applied
14 for and secured a certificate authorizing them to act in the capacity of a securities broker-dealer, in
15 violation of section 25210 of the Corporate Securities Law of 1968.

16 Pursuant to Corporations Code section 25532, Lamyle Porter, PBG Capital Inc., Porter
17 Investment Business Group, Masood and Maryem Sarwari, Leonora Egutkina, National Real Estate
18 Investment Club, and National Realty, Inc. are hereby ordered to desist and refrain from effecting
19 any transaction in, or attempting to induce the purchase or sale of, any security in this state, unless
20 and until they have applied for and secured from the Commissioner a certificate authorizing them to
21 act in that capacity or unless exempt.

22 Based on the foregoing findings, the Commissioner of Business Oversight is of the further
23 opinion that securities were offered and sold by means of written or oral communications that failed
24 to disclose material facts in violation of 25401 of the Corporations Code.

25 Pursuant to Corporations Code section 25532, Grandpoint Community Builders, Inc. dba
26 Next Group and dba Northpoint Development, Fifth Street Tower, LLC, Delmas Tower, LLC,
27 Alexander W. Erickson, William Erickson, and Gilmore E. Erickson are hereby ordered to desist and
28 refrain from offering or selling or buying or offering to buy securities in this state, including but not

1 limited to promissory notes, by means of any written or oral communication which includes an untrue
2 statement of a material fact or omits to state a material fact necessary in order to make the statements
3 made, in light of the circumstances under which they are made, not misleading.

4 This Order is necessary, in the public interest, for the protection of investors and consistent
5 with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Dated: April 24, 2014
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division