

1 3. Resident Investor #1 provided \$125,000 to Michael Harris in November of 2007 pursuant to
2 representations by Harris that he would introduce Resident #1 to a member of the Native American
3 gaming community who specialized in providing office furniture and accessories for hotels and
4 casinos operated by American Indian tribes, and that he, Harris, would support a joint venture
5 operated by Resident Investor #1 and his contact in the Native American gaming community in a
6 joint venture to market hotel and casino furnishings. It was represented to the investor by Harris that
7 one casino project that had been secured by Harris and his contact in the American Indian community
8 had a budget of \$800 million, and that the order for furniture and other accessories would total
9 several million dollars. This representation was in fact not true.

10 The investor was also told that to take advantage of the Native American furniture dealer's
11 contacts in the Indian gaming community that it would be necessary to fund the move of his family
12 from Iowa to Southern California. In fact Harris, after receiving \$125,000 from the investor,
13 provided only \$300 to the furniture dealer to fund his move across the country. Ostensibly, the
14 invested money was also to be used to fund attendance at various conferences to make contacts
15 within the Native American community. Harris and the investor attended the Palm Springs Western
16 Indian Gaming Conference on February 13-14, 2008. No other conferences were attended. At this
17 conference Resident Investor #1 came to the conclusion that Harris was not fulfilling his previous
18 agreements, and that he was more interested in promoting himself than he was the Native American
19 furniture dealer and the joint venture with Resident Investor #1. By February 2008, some two
20 months after providing Harris with \$125,000, Resident Investor #1 requested a return of her funds.
21 Harris never provided any accounting, nor did he return any funds to the investor. No contracts to
22 supply furniture were ever secured. After the investor requested a return of funds, Harris stopped
23 answering the investor's emails and stopped returning phone calls.

24 4. On April 11, 2007 Michael Harris issued a promissory note to a California resident (Resident
25 Investor #2) for what the note characterized as "an investment loan" in the amount of \$55,000 (with
26 annual interest at 25%) for the development of resorts at Cypress Lakes, Texas, and Three Rivers,
27 California. The term of the note was 48 months. Harris had met Resident Investor #2 at a Global
28 Wealth Business Seminar, and first mentioned the possibility of investing in Cypress Lakes and

1 Three Rivers resorts at the Global Wealth Business Seminar to several potential investors. Prior to
2 meeting Harris at the seminar, Resident Investor #2 did not have a personal or substantive business
3 relationship with Harris. Harris promised a salary to Resident Investor #2 in consideration of her
4 providing engineering services to the new company that he would form for the purpose of the
5 investment in, and development of the resorts. Harris further promised Resident Investor #2 that she
6 would be provided shares in a new corporation that he intended to form. When Harris stated that he
7 was ready to purchase property in Texas for the Cypress Lakes resort, Resident Investor #2 gave
8 Harris \$55,000. Notwithstanding repeated assurances from Harris that she would receive shares in
9 the new corporation, she never received any stock certificates nor any information whatsoever about
10 the alleged formation of the corporation or the investment of her funds. Despite repeated requests,
11 Harris never provided any accounting of the funds and never repaid any of the “investment loan.”
12 Within one year Harris stopped responding to emails and phone calls from Resident Investor #2 who
13 was seeking the return of her funds.

14 5. The promissory note that Harris gave to Resident Investor #2 in consideration of \$55,000
15 which was characterized by Harris as an “investment loan” was to specifically be used to develop
16 “land and home sites, resorts and restaurants” at two locations. The first was Cypress Lakes, Texas
17 and the second was Three Rivers, California. Harris represented to Resident Investor #2 with
18 reference to the Cypress Lakes project that “the owners (of the property) were willing to work with
19 Michael Harris in the purchase of all corporate stock.” Harris represented to Resident Investor #2
20 that he had the right to purchase a 2000 acre plot of property that had been sub-divided into 5000 lots,
21 and that he was in negotiations with a “church group” that wished to buy “most” of the lots, or
22 approximately 3800 sub-divided lots, while his company, Western States Affordable Homes LLC
23 would retain 200 of the lots. Harris solicited the participation of Resident Investor #2 while doing
24 business as Western States Affordable Homes LLC and directed the investor to wire the funds to the
25 bank account of Western States Affordable Homes LLC. He stated in writing that it was possible to
26 make over one million dollars, and still own part of the land and own stock in a non-profit LLC that
27 would be formed by the church group that wished to buy most of the property. These representations
28 were false. Harris never disclosed to Resident Investor #2 that he had no contractual arrangement

1 that would legally allow him to purchase 2000 acres of land at Cypress Lakes. He further never
2 disclosed to the investor that he did not have access to the funding nor the expertise to enter into a
3 development of a “senior citizen residential resort community featuring an assortment of homes and
4 services”.

5 Harris further never disclosed to Resident Investor #2 that he had no contractual or legal
6 rights to purchase any property at Three Rivers resort, and that his representations that he intended to
7 construct a multi-faceted resort facility in partnership with the investor and others were false, and part
8 of a continuing scheme to entice the investor to provide a lump sum payment to Harris that he
9 characterized as an “investment loan”. Harris did not have the funding or the contractual rights
10 necessary to commence the development of all the facilities he told the investor he intended to
11 construct.

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13 Based on the foregoing findings, the California Corporations Commissioner is of the opinion
14 that the promissory note issued by Michael S. Harris, and the issuance of shares of stock in NDN
15 Development Inc. as security for that promissory note, are securities subject to qualification under the
16 California Corporate Securities Law of 1968 (California Corporations Code section 25000 et seq.).
17 Further the Commissioner is of the opinion that the Promissory Note issued by Michael S. Harris for
18 the development of resorts at Cypress Lakes, Texas and Three Rivers, California , and characterized
19 as an “investment loan” is a security subject to qualification under the California Corporate Securities
20 Law of 1968 and that these foregoing securities in the form of promissory notes and shares of stock
21 are being or have been offered or sold without being qualified in violation of Corporations Code
22 section 25110. Pursuant to section 25532 of the Corporate Securities Law of 1968, Michael S.
23 Harris, National Development Network Inc., and Western States Affordable Homes LLC are hereby
24 ordered to desist and refrain from the further offer or sale in the State of California of securities,
25 including but not limited to promissory notes and shares of stock or “investment loans” in the form of
26 promissory notes, unless and until qualification has been made under the law or unless exempt.

27 Further, the California Corporations Commissioner is of the opinion that the securities
28 represented by the promissory notes and shares of stock issued by Michael S. Harris and NDN

1 Development Inc. and Western States Affordable Homes LLC were offered or sold in this state by
2 means of written or oral communications which included an untrue statement of a material fact or
3 omitted to state a material fact necessary in order to make the statements made, in the light of the
4 circumstances under which they were made, not misleading, in violation of section 25401 of the
5 Corporate Securities Law of 1968. Pursuant to section 25532 of the Corporate Securities Law,
6 Michael S. Harris, National Development Network Inc., and Western States Affordable Homes LLC
7 are hereby ordered to desist and refrain from offering or selling, or buying or offering to buy, any
8 security in the State of California, by means of any written or oral communication which includes an
9 untrue statement of a material fact or omits to state a material fact necessary, in order to make the
10 statements made, in light of the circumstances under which they were made, not misleading.

11 This Order is necessary, in the public interest, for the protection of investors and consistent
12 with the purposes, policies, and provisions of the Corporate Securities Law of 1968. This Order shall
13 remain in full force and effect until further order of the California Corporations Commissioner.

14 Dated: February 7, 2011
15 Los Angeles, California

16 PRESTON DuFAUCHARD
17 California Corporations Commissioner

18 By _____
19 ALAN S. WEINGER
20 Deputy Commissioner
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