BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

In the Matter of
HOTEL CONNECT MANAGEMENT, INC.,
HOTEL CONNECT #600 LLC, MARK L.
EHRlich, and BILLY RAY SMITH,

Respondent.

PETITION FOR ORDER

The staff of the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. Hotel Connect Management, Inc. ("HCMl") is a Nevada corporation with last known business addresses of 3649 W. Beechwood Ave., Ste. 103, Fresno, CA 93711; 8532 SW St Helens Dr., Ste. 20, Wilsonville, OR 97070; c/o 500 S Third #2, Las Vegas, NV 89101; and 101 Capitol Way N., Ste. 202, Olympia, WA 98501-1077.

2. Hotel Connect #600 LLC ("#600") is a Nevada limited liability company with last known business addresses of 3649 W. Beechwood Ave., Ste. 103, Fresno, CA 93711 and 8532 SW St Helens Dr., Ste. 20, Wilsonville, OR 97070.

3. HCMl is the managing member of #600.

4. Mark L. Ehrlich (CRD #11013642; DOB 9/23/43) ("Ehrlich") is an individual who at all times material hereto has been a principal and controlling person of HCMl, with a last known business address at that of 3649 W. Beechwood Ave., Ste. 103, Fresno, CA 93711.

5. Billy Ray Smith (CRD #1228114; DOB 12/29/46) ("Smith") is an individual who at all times material hereto has been a principal and controlling person of HCMl, with a last known business address at that of 3649 W. Beechwood Ave., Ste. 103, Fresno, CA 93711.

6. During the period of July, 1999, an agent on behalf of HCMl, #600, Ehrlich and Smith, offered and sold to at least one person in Wisconsin "membership units" in #600.

7. Upon information and belief, investors can play a passive role in the company with no duties and responsibilities.

8. Upon information and belief, each investor will not be involved in the day-to-day management of #600, since there are too many investors for them to each have any meaningful input, and they do not have the expertise or experience necessary to perform its duties.

9. Since the investors will be involved in a common enterprise with the expectation of profits to be derived from the essential managerial efforts of others, the "membership units" offered and sold by the respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.

10. The #600 investment contracts have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.
11. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering unregistered securities in Wisconsin.

12. In connection with the offer and sale of the securities described above, the agent referred to in paragraph 6 above transacted business in Wisconsin as an "agent" for HCMI, #600, Ehrlich and Smith, as that term is defined by sec. 551.02(2), Wis. Stats.

13. At no time material hereto has the agent referred to in paragraph 6 above been licensed as a securities agent pursuant to Ch. 551, Wis. Stats.

14. HCMI, #600, Ehrlich and Smith have violated sec. 551.31(2), Wis. Stats., by employing an unlicensed agent to represent them in Wisconsin.

15. On February 8, 2000, the State of California, issued a Cease and Desist Order against Ehrlich, based on allegations of securities violations.

16. On February 10, 2000, the State of California filed a lawsuit in Sacramento County Superior Court against Ehrlich, and Smith, based on allegations of securities violations, including fraud.

Therefore, the staff of the Enforcement Unit petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis. Stats.

Susan A. Kittel Moore  Date
Legal Assistant
Enforcement Unit

David A. Cohen  Date
Supervising Attorney
Enforcement Unit