# 1 STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS 2 **SECURITIES DIVISION** 3 IN THE MATTER OF DETERMINING ) Order Number S-04-056-04-SC01 4 Whether there has been a violation of the Securities Act of Washington by: STATEMENT OF CHARGES AND NOTICE 5 OF INTENT TO ENTER AN ORDER TO 6 FRED ANDREW HALE CEASE AND DESIST AND TO IMPOSE A Respondent FINE 7 8 THE STATE OF WASHINGTON TO: Fred Andrew Hale 9 STATEMENT OF CHARGES 10 Please take notice that the Securities Administrator of the State of Washington has reason 11 to believe that Respondent, Fred Andrew Hale, has violated the Securities Act of Washington 12 and that his violations justify the entry of an order of the Securities Administrator under RCW 13 14 21.20.390 to cease and desist from such violations. The Securities Administrator finds as 15 follows: 16 TENTATIVE FINDINGS OF FACT 17 I. RESPONDENT 18 Fred Andrew Hale ("Hale") is a Washington resident whose last known address is 14033 19 97<sup>th</sup> Avenue NE in Bothell, Washington. 20 II. OFFER AND SALE OF "SOLUTIONS NETWORK" INVESTMENTS 21 From at least 1997 through at least 2002, Hale has offered and sold more than \$450,000 22 worth of investments to at least 12 investors, many of whom are Washington residents. Hale has 23

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STATEMENT OF CHARGES

failed to repay the investors.

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DEPARTMENT OF FINANCIAL INSTITUTIONS Securities Division PO Box 9033 Olympia, WA 98507-9033 360-902-8760

STATEMENT OF CHARGES

When offering and selling the investments, Hale represented that investor funds would be pooled together and used by Hale to finance a new cable television network called the "Solutions Network." The investors were passive investors who had no control over the use of their invested funds and did not participate in the business venture being promoted by Hale. The investors were relying upon Hale to generate a return on their investments.

Although Hale gave each of the investors "personal promissory notes" to evidence their investment, the investors were not making personal loans to Hale: they were making investments in Solutions Network and they expected to earn interest on their investments.

Generally, Hale promised that investors would receive 25% interest within six months from the date of their investment, although Hale promised that some investors would receive 50% or 100% interest within twelve weeks or less.

#### III. MISREPRESENTATIONS AND OMISSIONS

When offering and selling the Solutions Network investments, Hale misrepresented to at least one investor that the investment was "guaranteed" and that the investment would double in value within six months from the date of investment.

When offering and selling the Solutions Network investments, Hale failed to disclose significant information to investors about the investments. He failed to disclose that he was unable to repay investors. He failed to disclose the amount of capital that would be required to fund the Solutions Network and the risk of inadequate capitalization. He failed to disclose the intended use of proceeds from investors. He failed to disclose the specific content and the source of programming for Solutions Network. He failed to disclose the competition for the Solutions Network. Hale failed to give the investors financial statements for the Solutions Network or his

1	personal financial statements. Hale failed to disclose the projected expenses for launching the
2	Solutions Network.
3	IV. UNREGISTERED SECURITIES
4	Solutions Network is not currently registered to offer or sell its securities in the state of
5	Washington and has not previously been so registered.
6	VI. UNREGISTERED SECURITIES SALESPERSON OR SECURITIES BROKER-DEALER
7	Fred Andrew Hale is not currently registered as a securities salesperson or securities
8	broker-dealer in the state of Washington and has not previously been so registered.
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0	Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:
1	CONCLUSIONS OF LAW
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13	I.
4	The offer or sale of the investments described above constitutes the offer or sale of a
15	security as defined in RCW 21.20.005(10) and (12), whether in the form of an investment
6	contract, risk capital, evidence of indebtedness or note.
17	II.
8	The offer or sale of said securities is in violation of RCW 21.20.140 because no
9	registration for such offer or sale is on file with the Securities Administrator.
20	III.
21	Fred Andrew Hale has violated RCW 21.20.040 by offering or selling said securities
22	while not registered as a securities salesperson or broker-dealer in the state of Washington.
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24	IV.
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The offer or sale of said securities was made in violation of RCW 21.20.010 because, in connection with the offer and sale of the securities, Hale made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made not misleading.

## NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Fred Andrew Hale and his agents and employees shall cease and desist from violations of RCW 21.20.140, RCW 21.20.040 and RCW 21.20.010.

### NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Fred Andrew Hale shall be liable for and pay a fine of \$5,000.

#### **AUTHORITY AND PROCEDURE**

This Statement of Charges is entered pursuant to the provisions of ch. 21.20 RCW and is subject to the provisions of the Administrative Procedures Act, RCW 34.05. The respondent, Fred Andrew Hale, may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If Fred Andrew Hale fails to make a timely hearing request, the Securities

Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law
as final and enter a permanent order against Fred Andrew Hale to cease and desist from
violations of the Securities Act. The Securities Administrator may also enter a final order

STATEMENT OF CHARGES

1	imposing the \$5,000 fine, file a certified copy of the order in superior court and proceed to
2	collect the fine in accordance with RCW 21.20.395.
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4	Dated this 11th day of June, 2004
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7	Quidal E, Stevenson
9	Michael E. Stevenson Securities Administrator
10	Approved by: Presented by:
12	Martin Cordell Just la
14	Martin Cordell Janet So Chief of Enforcement Senior Financial Legal Examiner
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