

1 The Securities Administrator therefore adopts as final as to Respondents CANUSA and Paterson
2 Tentative Findings of fact and Conclusions of Law as set forth in the Summary Order.

3 The Securities Administrator finds as follows:

4 **FINDINGS OF FACT**

5 *Respondents*

6 1. CANUSA Capital, LLC (“CANUSA”) is a Washington limited liability company organized in the
7 State of Washington on January 5, 2005, with its principal place of business in Lynden, Washington.
8 CANUSA was formed to invest in real estate located in Whatcom County, Washington.

9 2. Ross Paterson (“Paterson”) is a managing member of CANUSA and is a signer on the CANUSA
10 bank account. Paterson resides in Lynden, Washington.

11 3. Victoria Mallahan (“Mallahan”) is a salesperson for CANUSA and may be a signer on the
12 CANUSA bank account. Mallahan is a licensed real estate agent and is believed to reside in Blaine,
13 Washington.

14 *Background*

15 4. On at least May 16, 2006, Paterson was notified that there was an open investigation regarding the
16 offer and sale of unregistered securities of Brisk Management dba Heritage House Assisted Living
17 (“Heritage House”). Heritage House is an assisted living facility in Ferndale operated by Paterson.

18 5. In March 2007, the Securities Division issued a Statement of Charges and Notice of Intent to Enter
19 Order to Cease and Desist and to Impose Fines against Heritage House and Paterson. The Statement of
20 Charges alleged that Heritage House and Paterson violated the registration and anti-fraud provisions of the
21 Securities Act when offering and selling unregistered securities. The Statement of Charges was served on
22 March 22, 2007. A hearing has been requested in the matter.

Nature of the Offering

6. On October 22, 2006, after Paterson was notified of the Securities Division's open investigation of the offer and sales of unregistered securities in Heritage House, Paterson and Mallahan met with two Canadian citizens in Whatcom County, Washington, and offered them an opportunity to invest in CANUSA. Paterson and Mallahan told the investors that the funds invested in CANUSA would be used to make two different types of real estate investment. The first type of investment was in foreclosed properties that would be purchased at a discount and resold at a profit. The investors would receive a return when the property was resold. Paterson and Mallahan told the investors that return would be between 40% and 80%.

7. The second type of investment was in the acquisition of an ongoing business where the return to the investors would be from the operation of the business. Paterson and Mallahan told the investors that they would receive an 18% per quarter return from this type of investment.

8. Paterson and Mallahan told the investors that the investment was safe because Heritage House would be used to secure necessary financing or to repay the investors, if necessary.

9. Paterson and Mallahan failed to disclose that Paterson was the subject of an open investigation of the Securities Division regarding the offer and sales of unregistered securities in Heritage House.

10. The Canadian investors introduced Paterson and Mallahan to other potential investors.

11. In October and November 2006, the investors visited Paterson and Mallahan in Whatcom County for the purpose of identifying investment properties. Paterson and Mallahan spent at least two days driving the investors around Whatcom County and previewing properties.

12. Paterson, Mallahan, and the investors identified a specific property to purchase at the foreclosure auction. Paterson and Mallahan told the investors that Paterson would bid on the specific property at the foreclosure auction and needed their investment funds to do so.

1 13. Based on these representations, on December 7, 2006 Investor A wired \$100,000 to the CANUSA
2 bank account located in Whatcom County, Washington.

3 14. The property was not acquired at the foreclosure auction.

4 15. In January and February 2007, Paterson and Mallahan identified additional properties to purchase at
5 the foreclosure auction. However, each month Respondents failed to acquire the properties.

6 16. In March 2007, Paterson and Mallahan told the investors that a business had been identified for
7 purchase. Based on this representation, Investor B wired \$25,000 to the CANUSA bank account.

8 17. On April 12, 2007, Paterson told the investors that an additional \$100,000 was needed to acquire the
9 business. Based on this representation, on April 13, 2007, Investor A wired an additional \$100,000 to the
10 CANUSA bank account. This brought Investor A's total investment to \$200,000.

11 18. On May 2, 2007, Paterson and Mallahan provided Investor A with a promissory note acknowledging
12 the \$200,000 investment. It stated that the initial funds were to be used to "acquire properties in Whatcom
13 County, Washington usually through foreclosure and in turn resold" and the profit divided among the
14 investors. It further stated that the funds would "accrue an interest rate of 5% annually while not being
15 used" and that at any time Investor A could request his funds back and the funds would be wired to his
16 account. The promissory note was notarized in Bellingham, Washington. It was one page and did not have
17 many of the terms common in promissory notes.

18 19. Between December 2006 and April 2007, Paterson and Mallahan obtained approximately \$225,000
19 from Investors A and B.

20 20. When no property was acquired and after numerous requests, in September 2007, Mallahan wired
21 Investor A \$150,000. Mallahan told Investor A that the remaining \$50,000 would be repaid but it has not
22 yet been repaid. Respondents have not repaid Investor B.

1 21. Recently, Paterson told the investors that they would not be paid back because the money was lost in
2 a “get rich quick scheme” involving an investment in bull semen. The investors were not told that their
3 funds could be used for such a scheme.

4 **CONCLUSIONS OF LAW**

5 1. The offer or sale of the investment contract or promissory note of CANUSA Capital, LLC
6 constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).

7 2. Respondent, Ross Paterson, acted as a securities salesperson or broker-dealer as defined in RCW
8 21.20.005(2) and (3).

9 3. Respondent, Ross Paterson, has violated RCW 21.20.040 by offering and/or selling said securities
10 while not registered as a securities salesperson or broker-dealers in the State of Washington.

11 4. The offer or sale of said securities is in violation of RCW 21.20.140 because no registration for such
12 offer or sale was on file with the Securities Administrator.

13 5. The offer or sale of said securities was made in violation of RCW 21.20.010 because Respondent, in
14 connection with the offer and sale of a security, made untrue statements of material fact or omitted to state
15 material facts necessary in order to make the statements made, in light of the circumstances under which
16 they were made, not misleading.

17 **FINAL ORDER**

18 Based on the foregoing,

19 NOW, THEREFORE, IT IS HEREBY ORDERED that CANUSA Capital, LLC and Ross Paterson,
20 and their agents and employees, each cease and desist from offering or selling securities in any manner in
21 violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

1 It is further ORDERED that Ross Paterson cease and desist from violation of RCW 21.20.040, the
2 section of the Securities Act that requires registration of securities salespersons and broker-dealers.

3 It is further ORDERED that respondents, CANUSA Capital, LLC and Ross Paterson, and their
4 agents and employees, each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the
5 Securities Act.

6 IT IS FURTHER ORDERED that, pursuant to RCW 21.20.395, Ross Paterson shall pay a fine in
7 the amount of \$15,000. (Such payment shall be: (a) made by United States postal money order, certified
8 check, bank cashier's check or bank money order; (b) made payable to the Washington State Treasurer; (c)
9 delivered by certified mail to Michael Stevenson, Securities Administrator, Department of Financial
10 Institutions, PO Box 9033, Olympia, Washington 98507-9033; and (d) submitted with a cover letter that
11 identifies Ross Paterson as a Respondent under these proceedings, and the Order and case number of these
12 proceedings).

13 IT IS FURTHER ORDERED that, pursuant to RCW 21.20.390(5), Ross Paterson shall pay a fine in
14 the amount of \$2,500. (Such payment shall be: (a) made by United States postal money order, certified
15 check, bank cashier's check or bank money order; (b) made payable to the Washington State Treasurer; (c)
16 delivered by certified mail to Michael Stevenson, Securities Administrator, Department of Financial
17 Institutions, PO Box 9033, Olympia, Washington 98507-9033; and (d) submitted with a cover letter that
18 identifies Ross Paterson as a Respondent under these proceedings, and the Order and case number of these
19 proceedings).

20 **AUTHORITY AND PROCEDURE**

21 This Order is entered pursuant to the provisions of RCW 21.20.390, and RCW 21.20.395, and is
22 subject to the provisions of RCW 21.20.440 and Chapter 34.05 RCW. Respondents have the right to

1 petition the superior court for judicial review of this agency action under the provisions of chapter 34.05
2 RCW. For the requirements for filing a Petition for Judicial Review, see RCW 34.050.510 and sections
3 following. A certified copy of this order filed in Superior Court shall be treated in the same manner as a
4 Superior Court judgment, and may be recorded, enforced, or satisfied in like manner.

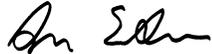
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6 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

7 Dated and Entered this 12th day of February, 2008.

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11 MICHAEL E. STEVENSON
12 Securities Administrator

13 Approved by:

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15 _____
16 Suzanne Sarason
17 Chief of Compliance

18 Presented by:

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21 Kristen Culbert
22 Financial Legal Examiner