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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

Stephen L. Pedersen and Secure Capital Short
Term Capital Asset Trust I,

Respondents

SDO -17 - 01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST AND REVOCATION
OF EXEMPTION E-18388

Case No. 00-05-189

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THE STATE OF WASHINGTON TO: Stephen L. Pedersen
3915 55th Ave. SW
Seattle WA 98116

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Secure Capital Short Term Asset Trust I
2329 A NE 123rd St
Seattle WA 98125

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On February 20, 2001, the Securities Administrator of the State of Washington issued SDO-3-01,
Summary Order to Cease and Desist and Suspending Exemption E-18388 hereinafter referred to as
Summary Order to Stephen L. Pedersen and Secure Capital Short Term Asset Trust I.

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The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (,
hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (,
hereinafter referred to as "Application for Hearing") thereon, was served on Secure Capital Short Term Asset
Trust I on February 6, 2001 and on Stephen L. Pedersen on February 20, 2001. The Notice of Opportunity for
Hearing advised Secure Capital Short Term Asset Trust I and Stephen Pedersen that each had twenty days from

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1 the date of receipt of the notice to file a written application for an administrative hearing on the Statement of
2 Charges.

3 Secure Capital Short Term Asset Trust I and Stephen L. Pedersen each failed to request an
4 administrative hearing within twenty days of receipt of the Summary Order and Notice of Opportunity for
5 Hearing, either on the Application for hearing provided or otherwise.

6 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as
7 set forth in the Statement of Charges.

8 The Securities Administrator makes the following findings of fact and conclusions of law:

9 **FINDINGS OF FACT**

10 **BACKGROUND**

11 **I.**

12 Stephen L. Pedersen is a West Seattle resident. He was the owner of a printing business, Pacific
13 Printing Company, a sole proprietorship, from some time in 1995 until September or October of 1997,
14 when he was forced to give up control of the business to his creditors. Pedersen was previously
15 discharged in a Chapter 7 bankruptcy, in 1987 or 1986.

16 **II.**

17 Secure Capital Short Term Asset Trust I was a business trust formed in Washington in January
18 1994. Gary Greer and Stephen L. Pedersen were trustees of this trust. Greer was the registered agent
19 for the trust. The trust's business address was 2329 A NE 123rd, Seattle, WA 98125. The purpose of
20 the trust was to conduct asset based lending and investing. Pedersen's association with Gary Greer,
21 the other trustee, ended in 1995 or 1996. Trust certificates were to be sold by officers of Secure
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1 Capital Financial, Inc., a corporation of which Gary Greer was president and chief executive officer
2 and of which Stephen Pedersen was also an officer. Trust records reflect that the only person to whom
3 a trust certificate was issued was Stephen L. Pedersen. Pedersen received his trust certificate in return
4 for notes receivable he contributed to the trust. Pedersen took his money out of the trust, which was
5 allowed to lapse. The trust was administratively dissolved on January 31, 1997.

6 **PEDERSEN'S OFFERING OF TRUST CERTIFICATES**

7 **III.**

8 Some time in the spring or summer of 1995, Pedersen began telling one of his neighbors about
9 the investments offered by Secure Capital Short Term Asset Trust I. Pedersen said that the
10 investments were low risk. He said that his mother-in-law and other relatives had invested in the trust.
11 He also said that a group of lawyers had invested about a \$1 million in the venture. Pedersen said that
12 the trust funded purchases of equipment at various firms including Pedersen's printing company,
13 Pacific Printing Company. He said that investments in the trust were secured by the printing press
14 and other hard assets. In fact, the trust had no interest in the Pacific Printing Company printing press,
15 which was security for loans to unrelated lenders. In about August of 1995, Pedersen gave the
16 neighbor some written materials concerning the investment. These materials included biographies of
17 Pedersen and Greer, as well as the interest rates paid on investments of various lengths. They did not
18 include risk factors relating to the investment, a description of the business and properties of the
19 company, the use of proceeds of the offering, the capitalization of the company, the securities offered,
20 or the plan of distribution of the offering. The materials referred the reader to an offering circular
21 dated 2/8/94 for more information. Neither the neighbor nor any other investor Pedersen solicited to
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1 invest in the trust received a copy of that offering circular. Pedersen said that trust investments paid 3
2 to 6 percentage points more interest per year than comparable investments offered by banks and
3 insurance companies.

4 In August 1995, Pedersen accepted \$50,000 from a Washington resident. Pedersen issued a trust
5 certificate in Secure Capital Short Term Asset Trust I to the Washington resident. Pedersen led the
6 Washington resident to believe that he had a certificate from Secure Capital Short Term Asset Trust I,
7 the trust described in the materials Pedersen gave to the Washington resident. Pedersen deposited the
8 check representing this investment directly to his personal checking account rather than to the trust.
9 The trust certificate was for six months and paid 18% per annum interest. Pedersen signed the trust
10 certificate for Secure Capital Short Term Asset Trust I. This trust certificate was not recorded on the
11 books of the trust. The other trustee of the trust, Gary Greer, had no knowledge of the issuance of this
12 trust certificate. Secure Capital Short Term Asset Trust I was no longer an active business by the time
13 Pedersen sold this trust certificate.
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15 From March 1996 through September 1997, Pedersen sold at least an additional \$133,000 worth
16 of Secure Capital Short Term Asset Trust I trust certificates to at least three Washington residents. He
17 issued at least seven additional trust certificates for Secure Capital Short Term Asset Trust I to
18 evidence these additional investments, signing each certificate for the trust. All of the certificates had
19 a term of six months, an interest rate of 18% per annum, and an option for the investor to have the
20 balance of the investment rolled over at maturity into a newly issued security unless the investor
21 notified the trustee in writing to the contrary ten days prior to maturity of the investment. None of the
22 money he collected was remitted to any trust. Instead, Pedersen deposited most or all of the money to
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1 his personal checking accounts. None of the trust certificates he issued was recorded on the books of
2 the trust.

3 Pedersen subsequently told the investors that some of their money was used to make loans or
4 purchase receivables. However, the investors received no interest in any receivables purchased with
5 their money. Pedersen claims to have assigned such security interests as he received in connection
6 with the loans to one of his creditors. Pedersen could not account for all of the moneys paid to him by
7 two of the investors for trust certificates in Secure Capital Short Term Asset Trust I. He told investors
8 that he could not do so because the paperwork relating to their investments had been stolen when
9 someone broke into his car.

10 Pedersen continued to issue new trust certificates as rollovers of existing investments through
11 September 1999. As with the original trust certificates, none of the rollover trust certificates was
12 recorded on the books of the trust.

13 At least two of the investors who purchased Secure Capital Short Term Asset Trust I trust
14 certificates from Pedersen were not accredited investors as that term is defined by WAC 460-44A-501
15 because they did not have net worth in excess of \$1 million at the time of purchase or joint annual
16 income with their spouse of more than \$300,000.
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18 **PEDERSEN'S OFFERING OF INVESTMENTS IN PACIFIC PRINTING**

19 **IV.**

20 In September 1997 Pedersen solicited three Washington residents who had already purchased
21 investments in Secure Capital Short Term Asset Trust I to invest in the receivables for his printing
22 company, Pacific Printing. Pedersen asked them to loan money to Pacific Printing in return to be
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1 secured by account receivables. Pedersen provided them with a financial statement that purported to
2 show that the company was profitable. Pedersen did not tell the investors that he owed substantial
3 debts to other creditors in connection with a business of making business loans. One creditor lent
4 money to Pedersen who then made the loans. This creditor had a security interest on Pedersen's
5 residence.

6 None of the three Washington residents was in the business of making loans or factoring
7 receivables. Pedersen told them that there would always be receivables worth at least 90% of the
8 amount of their investment three securing that investment. Pedersen said that he would withdraw
9 funds from the bank account the three set up and when the receivables securing the funds withdrawn
10 came due he would deposit the proceeds of the receivables into the bank account. Pedersen provided a
11 handwritten list of receivables he said would be pledged to repay the investors. On October 23, 1997,
12 the investors opened a bank account on which they and Pedersen each had signature authority. By
13 October 27, 1997, each of the three investors had deposited \$30,000 to the account. Pedersen and the
14 three investors entered into a written agreement on November 22, 1997 which provided that Pacific
15 Printing Company and Stephen Pedersen agreed to pay the investors 3% per month simple interest for
16 all funds withdrawn from the bank account, to provide weekly lists of the receivables being financed,
17 and to deposit the proceeds of the receivables to the account as they were paid.

18
19 Pedersen did not tell the investors that before he entered into the agreement that he was already in
20 debt to another creditor who had installed a business manager to run the company, taking control of
21 the business from Pedersen. Pedersen agreed to this arrangement when the creditor threatened to
22 foreclose on Pedersen's house on which the creditor had a security interest. Pedersen assigned all the
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1 receivables of Pacific Printing Company to this creditor in September or October 1997. He put this
2 assignment in writing in early 1998.

3 On March 31, 1998, Pedersen gave the investors assignments of specified receivables to secure
4 their investment with Pacific Printing Company. He signed these assignments on behalf of Pacific
5 Printing Company although he was no longer managing the company and had assigned all of the
6 receivables of the company to another creditor. Pedersen did not advise the investors that he was no
7 longer managing the company and that the receivables of the company had already been assigned to
8 another creditor.

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10 V.

11 Neither Pacific Printing Company nor Stephen Pedersen is currently registered to sell its
12 securities in the state of Washington and neither has previously been so registered.

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14 VI.

15 Secure Capital Short Term Asset Trust I is not currently registered to sell its securities in the state
16 of Washington and has not previously been so registered. On January 14, 1994, Secure Capital Short
17 Term Asset Trust I filed a notice of claim of exemption under WAC 460-44A-505, the Uniform
18 Limited Offering exemption. This claim of exemption was assigned the file number E-18388.
19 Offerings made pursuant to WAC 460-44A-505 must comply with the disclosure requirements set
20 forth in WAC 460-44A-502 (2)(b) to any purchaser who is not an accredited investor. Those
21 disclosure requirements include providing in advance of the sale to each purchaser disclosure
22 document meeting the requirements of Securities and Exchange Commission Form 1-A Part II. Some

1 of the required elements of this disclosure document are risk factors relating to the investment,
2 description of the business and properties of the company, use of proceeds of the offering,
3 capitalization of the company, description of the securities offered, and plan of distribution of the
4 offering.

5 VII.

6 Stephen Pedersen is not currently registered as a securities salesperson or broker-dealer in the
7 state of Washington and has not previously been so registered.

8 VIII.

9 The Securities Administrator finds that the continued offering of securities by Stephen Pedersen
10 in the manner described in Tentative Findings of Fact III and IV, and the continued availability of an
11 exemption from registration file number E-18388 to the respondent Secure Capital Short Term Asset
12 Trust I presents a threat to the investing public.

13 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:
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16 CONCLUSIONS OF LAW

17 I.

18 The offer and/or sale of trust certificates in Secure Capital Short Term Asset Trust I and
19 investment contracts of Pacific Printing Company as described above each constitute the offer and/or
20 sale of a security as defined in RCW 21.20.005(10) and (12).

21 II.

1 The offer and/or sale of said securities are in violation of RCW 21.20.140 because no registration
2 for such offer and/or sale is on file with the Administrator of Securities, state of Washington.

3 III.

4 Stephen Pedersen has violated RCW 21.20.040 by offering and/or selling said securities while not
5 registered as a securities salesperson or broker-dealer in the state of Washington.

6 IV.

7 The offer and/or sale of said securities was made in violation of RCW 21.20.010 because
8 investors were misled as to material facts relating to those investments such as what their interest they
9 held in any collateral, the creditworthiness of the issuer, and in the case of the Secure Capital Short
10 Term Asset Trust I, who would receive the funds they invested and the whether the trust certificates
11 they received would be recorded on the books of the trust. Further, the offer or sale tended to operate
12 as a fraud on the investors in violation of RCW 21.20.010.

13 V.

14 The offer and/or sale of trust certificates in Secure Capital Short Term Asset Trust I by Stephen
15 Pedersen did not comply with the terms of the exemption from registration under WAC 460-44A-505
16 claimed by the trust in file number E-18388 because that offer or sale did not comply with the
17 disclosure requirements of that exemption.
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19 VI.

20 The Securities Administrator finds that that the continued violations of RCW 21.20.010, RCW
21 21.20.040, and RCW 21.20.140 constitutes a threat to the investing public, and that orders to cease
22 and desist from those violations and revoke Secure Capital Short Term Asset Trust I's claimed
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1 exemption, file number E-18388, under WAC 460-44A-505 are in the public interest and necessary
2 for the protection of the investing public.

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4 Based upon the above Findings of Fact and Conclusions of Law it is hereby

5 ORDERED That Stephen L. Pedersen, Secure Capital Short Term Asset Trust I, their agents and
6 employees each cease and desist from offering and/or selling securities in any manner in violation of
7 RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

8 It is further ORDERED that Stephen L. Pedersen, Secure Capital Short Term Asset Trust I, their
9 agents, and employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section
10 of the Securities Act.

11 It is further ORDERED that Stephen L. Pedersen cease and desist from acting as an unregistered
12 securities salesperson or broker-dealer in violation of RCW 21.20.040, the section of the Securities
13 Act requiring registration of securities salespersons and broker-dealers.

14 It is further ORDERED that the exemption from registration under WAC 460-44A-505 claimed
15 by Secure Capital Short Term Asset Trust I on January 14, 1994, and assigned file number E-18388,
16 is hereby revoked.

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18 This Order is entered pursuant to RCW 21.20.325 and RCW 21.20.390 and is subject to the
19 provisions of ch. 34.05 RCW.

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

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

DATED this 22nd day of March, 2001.



DEBORAH R. BORTNER
Securities Administrator

Approved By:

Presented By:

Michael E. Stevenson
Chief of Enforcement

Suzanne E. Sarason
Senior Enforcement Attorney

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