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**STATE OF WASHINGTON  
KING COUNTY SUPERIOR COURT**

STATE OF WASHINGTON,  
DEPARTMENT OF FINANCIAL  
INSTITUTIONS,

Plaintiff,

v.

HOSS MORTGAGE INVESTORS,  
INC., TODD ALLAN HOSS, BORIS  
PETRENKO DBA ORANGE  
ESCROW, BALLARD ESCROW, INC.,  
FRONTIER BANK, VIKING BANK,  
IRONSTONE BANK,

Defendants.

NO.  
  
COMPLAINT FOR TEMPORARY  
RESTRAINING ORDER,  
PRELIMINARY INJUNCTION,  
PERMANENT INJUNCTION AND  
APPOINTMENT OF RECEIVER

**I. NATURE OF ACTION**

1. The State of Washington, Department of Financial Institutions, Securities Division ("Department"), commences this action against Defendants Hoss Mortgage Investors, Inc., Todd Allan Hoss, Boris Petrenko DBA Orange Escrow, Ballard Escrow, Inc., Frontier Bank, Viking Bank, and IronStone Bank. The Department seeks a temporary restraining order, preliminary injunction, and permanent injunction against all Defendants, as well as the appointment of a receiver, to prohibit Defendants Hoss Mortgage Investors, Inc. and Todd Allan Hoss from improperly disposing of assets that belong to investors who purchased securities in transactions that violated the Securities Act of Washington, chapter 21.20 RCW.

1 **II. VENUE AND JURISDICITON**

2 2. Venue is proper in King County Superior Court pursuant to RCW 4.12.025(1).  
3 The Superior Court has jurisdiction pursuant to RCW 7.40.010, RCW 7.60.025(1)(s),  
4 RCW 21.20.390(2), and RCW 21.20.390(3).

5 **III. PARTIES**

6 3. Plaintiff Department of Financial Institutions is an agency of the state of  
7 Washington, with its headquarters located at 150 Israel Road SW, Tumwater, Washington  
8 98501.

9 4. Defendant Hoss Mortgage Investors, Inc. is a Washington corporation with its  
10 principal place of business located at 1001 Fourth Avenue Plaza, Suite 3330, Seattle,  
11 Washington.

12 5. Defendant Todd Allan Hoss is a King County, Washington resident and the sole  
13 shareholder of Hoss Mortgage Investors, Inc.

14 6. Defendant Boris Petrenko is an attorney licensed to practice law in the state of  
15 Washington who does business as and provides escrow services under the name "Orange  
16 Escrow." Mr. Petrenko's address is listed with the Washington State Bar Association as 155  
17 108<sup>th</sup> Avenue Northeast, Suite 704, Bellevue, Washington.

18 7. Defendant Ballard Escrow, Inc. is believed to be a Washington corporation with  
19 a principal place of business at 5900 24<sup>th</sup> Avenue Northwest, Seattle, Washington.

20 8. Defendant Frontier Bank is believed to be a subsidiary of Frontier Financial  
21 Corporation, Inc., a Washington corporation with a principal place of business at 332  
22 Southwest Everett Mall Way, Everett, Washington.

23 9. Defendant Viking Bank is believed to be a Washington corporation with a  
24 principal place of business at 4 Nickerson Street, Suite 200, Seattle, Washington.

25 10. Defendant IronStone Bank is believed to be doing business in King County,  
26 Washington.

1 **IV. FACTS**

2 11. Hoss Mortgage Investors, Inc. (“HMI”) has been in the business of offering and  
3 selling investments, in order to finance business purpose loans to high-risk borrowers. These  
4 investments were “securities” as defined in RCW 21.20.005(12). HMI originated loans to  
5 borrowers using funds from HMI’s own sources or funds from investors. When HMI made a  
6 loan to a borrower, the loan was evidenced by a promissory note that was made payable from  
7 the borrower to HMI and was secured by a deed of trust from the borrower to HMI. HMI then  
8 sold participation interests in the promissory note and deed of trust to multiple investors or the  
9 whole loan to a single investor. In some cases, HMI guaranteed notes and deeds of trust sold  
10 to investors. HMI has also provided loan management and collection services and has charged  
11 a loan servicing fee to its investors.

12 12. The Department is informed and believes, and on that basis alleges, that during  
13 2008, Todd Allan Hoss (“Mr. Hoss”) and a registered securities salesperson for HMI offered  
14 and sold investments totaling approximately \$1,175,000 in HMI 1 LLC, a Washington limited  
15 liability company, to at least four Washington investors. These investments were “securities”  
16 as defined in RCW 21.20.005(12). At the time of selling these investments, Mr. Hoss was the  
17 managing member of HMI 1 LLC.

18 13. From January 24, 2007 until January 24, 2009, and from February 27, 2009  
19 until August 26, 2009, HMI was registered with the Securities Division of the Washington  
20 State Department of Financial Institutions (“Department”) under RCW 21.20.210 and WAC  
21 chapter 460-33A to sell participation interests in promissory notes secured by deeds of trust as  
22 mortgage paper securities, as defined in WAC 460-33A-015(4). In addition, HMI was  
23 registered as a securities broker-dealer, and Mr. Hoss was registered as a securities salesperson  
24 under RCW 21.20.040.

1           14.     The Department is informed and believes, and on that basis alleges, that HMI  
2 has sold over \$8,100,000 of mortgage paper securities in over 100 transactions under its permit  
3 to sell mortgage paper securities.

4           15.     The Department is informed and believes, and on that basis alleges, that HMI  
5 and Mr. Hoss have sold over \$3,000,000 of unregistered securities to more than 20 investors.

6           16.     As of August 5, 2009, the Department has received complaints from fifteen  
7 HMI investors who did not receive their monthly account statements or their monthly  
8 payments from May, 2009 to present. In addition, the Department is informed and believes,  
9 and on that basis alleges, that at least two HMI investors have made investments that were  
10 never listed on their HMI monthly account statements, even though they made the investments  
11 prior to April, 2009, when monthly account statements were still being sent to the investors.

12           17.     Through its ongoing investigation of HMI and Mr. Hoss, the Department is  
13 informed and believes, and on that basis alleges, that HMI and Mr. Hoss have violated the  
14 Securities Act of Washington, chapter 21.20 RCW by making fraudulent misrepresentations  
15 and omissions to investors in violation of RCW 21.20.010, offering and selling unregistered  
16 securities in violation of RCW 21.20.140, and engaging in dishonest and unethical business  
17 practices.

18           18.     The Department is informed and believes, and on that basis alleges, that when  
19 offering and selling investments, HMI and Mr. Hoss have sold the same investment to more  
20 than one investor, without telling the subsequent investor that the same investment had already  
21 been sold to someone else, have misrepresented the position of investors' deeds of trust, or  
22 have failed to record investors' deeds of trust to protect investors.

23           19.     The Department is informed and believes, and on that basis alleges, that HMI  
24 and Mr. Hoss have sold more than 100% of the interest in a particular loan and have failed to  
25 grant security interests to the later investors.

1           20.     The Department is informed and believes, and on that basis alleges, that HMI  
2 and Mr. Hoss have each offered and sold investments that were ostensibly being made to fund  
3 loans to borrowers, but the loans were never made, and HMI and Mr. Hoss have each offered  
4 and sold interests in loans to unidentified borrowers, indicating fictitious loan transactions.

5           21.     The Department is informed and believes, and on that basis alleges, that when  
6 offering and selling HMI “whole loan” investments, HMI has failed to provide adequate  
7 disclosure information to the investor, and in some instances, HMI has not delivered a note to  
8 the investor and has not assigned and recorded a deed of trust in the name of the investor.  
9 Further, the Department is informed that HMI failed to disclose to such investors that the  
10 investor might be an unsecured creditor of HMI at the time that the investment is made or that  
11 the investor might be subject to the claims of other HMI creditors.

12           22.     The Department is informed and believes, and on that basis alleges, that HMI  
13 has failed to disclose the intended and the actual use of the investor’s funds and has failed to  
14 provide investors with any financial information related to certain corresponding borrowers,  
15 including a loan application, a credit report, and a financial statement.

16           23.     The Department is informed and believes, and on that basis alleges, that HMI  
17 has also failed to provide investors with property title information, including title insurance  
18 policies for the real property that is represented to secure the investment.

19           24.     The Department is informed and believes, and on that basis alleges, that HMI  
20 has failed to give the investor property valuation information, including property appraisals and  
21 complete property descriptions, for the real property that is represented to secure their  
22 investment.

23           25.     The Department entered a Statement of Charges and Notice of Intent to Enter an  
24 Order to Cease and Desist, Revoke Securities Registration, Revoke Securities Broker-Dealer  
25 Registration, Revoke Securities Salesperson Registration, Revoke Exemptions, and Impose a  
26 Fine against HMI and Mr. Hoss on July 8, 2009 (hereinafter “Statement of Charges”). The

1 Statement of Charges contains findings that HMI and Mr. Hoss committed multiple violations  
2 of the Securities Act of Washington.

3 26. Based in part on the discovery of additional evidence gathered by the  
4 Department after the entry of the Statement of Charges, the Department entered a Superseding  
5 Statement of Charges, Stop Order Suspending and Notice of Intent to Revoke Securities  
6 Registration, Summary Order to Cease and Desist, Summary Order Revoking Exemptions,  
7 Summary Order Suspending and Notice of Intent to Revoke Securities Broker-Dealer and  
8 Securities Salesperson Registration, and Notice of Intent to Impose a Fine against Hoss  
9 Mortgage Investors, Inc. and Todd Allan Hoss on August 26, 2009 (hereinafter "Superseding  
10 Charges"). The Superseding Charges contains findings that HMI and Mr. Hoss committed  
11 multiple violations of the Securities Act of Washington, that an emergency exists, and that  
12 continued violations of the Securities Act by HMI and Mr. Hoss constitute a threat to the  
13 investing public. A copy of the Superseding Charges is attached hereto as Exhibit A.

14 27. The Department is informed and believes, and on that basis alleges, that in the  
15 offer and sale of securities referred to in paragraphs 11 and 12, HMI and Mr. Hoss have each  
16 made untrue statements of material fact or omitted to state material facts necessary in order to  
17 make the statements made, in the light of the circumstances under which they are made, not  
18 misleading in violation of RCW 21.20.010, the antifraud provision of the Securities Act.  
19 Specific alleged misrepresentations and omissions of HMI and Mr. Hoss are set forth in  
20 paragraphs 17, 19, 21, 25, 30, 32, 35, 38, 42, 44, 46, 48, 50, 54, 56, 58, and 61 of the  
21 Superseding Charges, and such paragraphs of the Superseding Charges are incorporated herein  
22 by this reference.

23 28. The Department is informed and believes, and on that basis alleges, that  
24 Defendants Hoss Mortgage Investors, Inc. and Todd Allan Hoss have each guaranteed a  
25 customer against loss in a securities transaction effected by HMI with or for such customer in  
26 violation of WAC 460-21B-060(15) and 460-22B-090(14). The alleged guarantees against

1 loss are set forth in paragraphs 16, 27, 45, 49, and 55 of the Tentative Findings of Fact in the  
2 Superseding Charges and the allegations in these paragraphs are incorporated herein by this  
3 reference.

4 29. The Department is informed and believes, and on that basis alleges, that HMI  
5 has stopped sending monthly account statements and monthly interest payments to numerous  
6 HMI investors.

7 30. The Department is informed and believes, and on that basis alleges, that HMI  
8 has received monthly payments from borrowers and has failed to disburse those payments to  
9 the appropriate HMI investors.

10 31. The Department is informed and believes, and on that basis alleges, that HMI  
11 had a negative checking account balance of \$26,867.62 on March 31, 2009, according to the  
12 balance sheet it submitted to the Department, and has allegedly issued more than \$40,000  
13 worth of NSF checks to at least one of its borrowers.

14 32. HMI is delinquent in its reporting obligations to the Department because HMI  
15 has not filed its June 30, 2009 quarterly financial statement with the Department.

16 33. The Department is informed and believes, and on that basis alleges that HMI is  
17 the subject of an action for unlawful detainer concerning its principal place of business in  
18 which it is alleged that HMI is behind in its rent payments through August 1, 2009 in the  
19 amount of \$47,168.49.

20 34. The Department is informed and believes, and on that basis alleges, that Todd  
21 Allan Hoss has outstanding personal judgments against him.

22 35. For the reasons set forth in paragraphs 29 through 34 above, the Department  
23 believes HMI is insolvent.

#### 24 **V. TEMPORARY RESTRAINING ORDER**

25 36. The Department hereby realleges paragraphs 1 through 35 as if fully set forth  
26 herein.

1 37. Pursuant to RCW 21.20.390(2), upon proper showing, the court may grant the  
2 Department a temporary or permanent injunction, or restraining order, to preserve a  
3 defendant's assets.

4 38. The Department is informed and believes, and on that basis alleges, that monies  
5 paid by investors for the securities referenced in paragraphs 11 and 12 were received by HMI,  
6 Mr. Hoss, or Boris Petrenko DBA Orange Escrow and deposited into bank accounts under the  
7 control of and/or for the benefit of HMI and Mr. Hoss. .

8 39. The DFI is also informed and believes, and on that basis alleges, that the while  
9 Boris Petrenko dba Orange Escrow served as escrow agent for HMI, Orange Escrow deposited  
10 certain escrow funds in accounts with IronStone Bank.

11 40. As a condition of registration, HMI executed an agreement with Ballard  
12 Escrow, Inc. to hold \$100,000 in escrow to be paid to the Department for the use and benefit of  
13 any person(s) having a claim against HMI under the Securities Act. The Department is  
14 informed and believes, and on that basis alleges, that the funds given to Ballard Escrow, Inc.  
15 by HMI in accordance with this agreement have been deposited into an account at Viking  
16 Bank.

17 41. The Department is informed and believes, and on that basis alleges, that  
18 Defendants HMI and Mr. Hoss have deposited borrower payments on loans that rightfully  
19 belong to investors in one or more bank accounts at Frontier Bank.

20 42. HMI may have deposited monies paid by investors for the purchase of securities  
21 and/or borrower payments on loans that rightfully belong to investors in accounts presently  
22 unknown to the Department.

23 43. In the manner described above, Defendants HMI and Mr. Hoss illegally  
24 obtained investor proceeds or monies in violation of the Securities Act of Washington.

25 44. The continued acts of Defendants HMI and Mr. Hoss complained of herein, as  
26 well as the disposal of any investment proceeds or monies received from investors, will result

1 in irreparable injury and loss to investors. The Department has a clear legal and equitable right  
2 under the Securities Act to prevent Defendants from causing harm to investors.

3 45. The Department has a substantial likelihood of prevailing on the merits.

4 46. The Department is entitled to a temporary restraining order prohibiting all  
5 named Defendants from disposing of, in any manner, funds held in bank accounts owned, or in  
6 the name of, Defendants Hoss Mortgage Investors, Inc. and/or Todd Allan Hoss. The  
7 Department is informed and believes that said accounts contain investor proceeds, investor  
8 monies, and/or ill-gotten gains relating to sales of securities to investors.

#### 9 VI. PRELIMINARY INJUNCTION

10 47. The Department hereby realleges paragraphs 1 through 46 as if fully set forth  
11 herein.

12 48. The Department has a clear legal and equitable right under the Securities Act to  
13 prevent the Defendants from disposal of any investor proceeds, investor monies, or ill-gotten  
14 gains received from investors and has a well-grounded fear of immediate invasion of that right  
15 during the pendency of this action.

16 49. The Department is entitled to a preliminary injunction prohibiting Defendants  
17 from disposing of, in any manner, funds held in bank accounts owned, or in the name of Hoss  
18 Mortgage Investors, Inc. and/or Todd Allan Hoss. The Department is informed and believes  
19 that said accounts contain investor proceeds, investor monies, and/or ill-gotten gains from the  
20 sale of securities to investors.

#### 21 VII. PERMANENT INJUNCTION

22 50. The Department hereby realleges paragraphs 1 through 49 as if fully set forth  
23 herein.

24 51. The Department has a clear legal and equitable right under the Securities Act to  
25 prevent the Defendants from disposal of any investor proceeds, investor monies, or ill-gotten  
26 gains received from investors.

1 52. The Department is entitled to a permanent injunction against Defendants  
2 prohibiting Defendants from disposing of, in any manner, funds held in bank accounts owned,  
3 or in the name of Hoss Mortgage Investors, Inc. and/or Todd Allan Hoss. The Department is  
4 informed and believes that said accounts contain investor proceeds, investor monies, and/or ill-  
5 gotten gains from the sale of securities to investors.

#### 6 **VIII. APPOINTMENT OF A RECEIVER**

7 53. The Department hereby realleges paragraphs 1 through 52 as if fully set forth  
8 herein.

9 54. Pursuant to RCW 21.20.390, the Director of the Department is authorized to  
10 petition a court of competent jurisdiction to appoint a receiver for a defendant or the  
11 defendant's assets whenever it appears to the Director that any person who has received a  
12 permit, whether current or otherwise, to issue, sell, or otherwise dispose of securities under the  
13 Securities Act has become insolvent.

14 55. The Department is informed and believes, and on that basis alleges, that there  
15 may be a need for a receiver to administer potential claims made against the \$100,000 believed  
16 to be held by HMI as described in paragraph 38 herein.

17 56. The Department is informed and believes and on that basis alleges, that HMI  
18 and Mr. Hoss have each sold securities that were purportedly to be secured by assignments of  
19 deeds of trust and have failed to record assignments thereof for the benefit of the investors who  
20 purchased those securities.

21 57. HMI receives loan payments from borrowers on loans it has sold as mortgage  
22 paper securities under servicing agreements with investors. As set forth above in paragraph 29,  
23 HMI has allegedly received monthly payments from borrowers and has failed to disburse those  
24 payments to the appropriate HMI investors.

25 58. The Department seeks the appointment of a receiver to collect and administer  
26 the funds held in escrow at Viking Bank for the benefit of investors, to preserve assets that

1 rightfully belong to investors who purchased securities from HMI and Mr. Hoss, and to  
2 preserve the assets of HMI for the benefit of its investors.

3 **IX. ACCOUNTING**

4 59. The Department hereby realleges paragraphs 1 through 58 as if fully set forth  
5 herein.

6 60. The Department may seek ancillary relief, including an accounting, whenever  
7 the Department brings an action to enjoin acts in violation of the Securities Act of Washington  
8 and to enforce compliance with the Act or any rule or order adopted thereunder pursuant to  
9 RCW 21.20.390(2).

10 61. HMI and Mr. Hoss have each failed to provide a complete response to an  
11 amended administrative subpoena duces tecum that was issued by the Department on May 13,  
12 2009, and Mr. Hoss has failed to provide testimony pursuant to an amended administrative  
13 subpoena for testimony that was issued by the Department on May 13, 2009.

14 62. An accounting is necessary to account for the funds collected by HMI and to  
15 help understand the full extent to which HMI and Mr. Hoss have violated the Securities Act of  
16 Washington.

17 63. The Department seeks an order from this court directing that, once appointed,  
18 the receiver provide the court and the Department with an accounting.

19 **IX. RELIEF REQUESTED**

20 NOW THEREFORE, the State of Washington, Department of Financial Institutions,  
21 hereby requests that the Court grant relief as follows:

22 1. That the Court temporarily, preliminarily, and upon Final Judgment,  
23 permanently prohibit Defendants Hoss Mortgage Investors, Inc. and Todd Allan Hoss from  
24 withdrawing, transferring, assigning, selling, pledging, hypothecating, changing, wasting,  
25 dissipating, converting, concealing, encumbering, or otherwise disposing of any assets held by  
26 Hoss Mortgage Investors, Inc., whether obtained from investors or borrowers, including but

1 not limited to investor funds or borrower payments received by them, held in an account in the  
2 name of them, or under the control of Hoss Mortgage Investors, Inc. and/or Todd Allan Hoss,  
3 until such time that a receiver can be appointed to take control of such assets of Hoss Mortgage  
4 Investors, Inc. and properly disburse the same;

5       2. That the Court temporarily, preliminarily, and upon Final Judgment  
6 permanently, restrain Defendants Boris Petrenko DBA Orange Escrow, Ballard Escrow, Inc.,  
7 Frontier Bank, Viking Bank, and IronStone Bank from permitting or in any way assisting with  
8 the withdrawal, transferring, changing, wasting, dissipating, converting, concealing,  
9 encumbering, or otherwise disposing of any funds received by, held in an account in the name  
10 of, or under the control of Hoss Mortgage Investors, Inc. and/or Todd Allan Hoss until such  
11 time that a receiver can be appointed to take control of such assets and properly disburse the  
12 same;

13       3. That the Court appoint a receiver for Hoss Mortgage Investors, Inc. to (1)  
14 preserve the status quo, (2) ascertain the financial condition of Hoss Mortgage Investors, Inc.,  
15 (3) take control of investor proceeds held by Hoss Mortgage Investors, Inc., Todd Allan Hoss,  
16 Boris Petrenko DBA Orange Escrow, Ballard Escrow, Inc., Frontier Bank, Viking Bank, and  
17 IronStone Bank, (4) prevent further dissipation of the property and assets of Hoss Mortgage  
18 Investors, Inc. and assets held in an account in the name of, or under the control of Hoss  
19 Mortgage Investors, Inc., Todd Allan Hoss, Boris Petrenko DBA Orange Escrow, Ballard  
20 Escrow, Inc., Frontier Bank, Viking Bank, and IronStone Bank for the benefit of investors of  
21 Hoss Mortgage Investors, Inc. to prevent loss, damage, and injury to investors, (5) be available  
22 to respond to investor inquiries, and (6) ascertain legitimate creditors and disburse assets;

23       4. That the Court enter an order to require an accounting of the assets and  
24 liabilities of Defendant Hoss Mortgage Investors, Inc.; and

25 ///

26 ///



Exhibit A

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 Washington by:

Hoss Mortgage Investors, Inc. and  
Todd Allan Hoss,

Respondents

Order Number S-09-043-09-TO02

SUPERSEDING STATEMENT OF  
CHARGES, STOP ORDER SUSPENDING  
AND NOTICE OF INTENT TO REVOKE  
SECURITIES REGISTRATION,  
SUMMARY ORDER TO CEASE AND  
DESIST, SUMMARY ORDER  
REVOKING EXEMPTIONS, SUMMARY  
ORDER SUSPENDING AND NOTICE OF  
INTENT TO REVOKE SECURITIES  
BROKER-DEALER AND SECURITIES  
SALESPERSON REGISTRATION, AND  
NOTICE OF INTENT TO IMPOSE A FINE

THE STATE OF WASHINGTON TO:

Hoss Mortgage Investors, Inc.  
Todd Hoss

**INTRODUCTION**

On July 8, 2009, the Securities Administrator of the State of Washington entered Order Number S-09-043-09-SC01, Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, Revoke Securities Registration, Revoke Securities Broker-Dealer Registration, Revoke Securities Salesperson Registration, Revoke Exemptions, and Impose a Fine ("Statement of Charges") against Respondents, Hoss Mortgage Investors, Inc. ("HMI") and Todd Allan Hoss ("Hoss"). The Statement of Charges was personally served on HMI's registered agent, Mark D. Kimball, on July 22, 2009. On August 11, 2009, DFI received a

SUPERSEDING STATEMENT OF CHARGES, STOP ORDER  
SUSPENDING AND NOTICE OF INTENT TO REVOKE  
SECURITIES REGISTRATION, SUMMARY ORDER TO CEASE  
AND DESIST, SUMMARY ORDER REVOKING EXEMPTIONS,  
SUMMARY ORDER SUSPENDING AND NOTICE OF INTENT TO  
REVOKE SECURITIES BROKER-DEALER AND SECURITIES  
SALESPERSON REGISTRATION, AND NOTICE OF INTENT TO  
IMPOSE A FINE

1

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

1 RCW 21.20.395 to impose a fine against Hoss. The Securities Administrator finds that delay  
2 in suspending HMI's securities registration and in ordering the Respondents to cease and desist  
3 from such violations would be hazardous to the investors and to the public and that these  
4 orders should be entered immediately. The Securities Administrator finds as follows:  
5

6 **TENTATIVE FINDINGS OF FACT**

7 RESPONDENTS

8 1. Hoss Mortgage Investors, Inc. ("HMI") is a Washington corporation, with its  
9 principal place of business located at 1001 Fourth Avenue Plaza, Suite 3330, in Seattle,  
10 Washington. HMI has been in the business of offering and selling investments, in order to  
11 finance business purpose loans to high-risk borrowers. HMI has also provided loan  
12 management and collection services and has charged a loan servicing fee to its investors.  
13

14 2. Todd Allan Hoss ("Hoss") is the President and the sole shareholder of HMI.  
15

16 REGISTRATION STATUS OF RESPONDENTS

17 3. From January 24, 2007 until January 24, 2009, and from February 27, 2009 until  
18 the entry date of this Superseding Statement of Charges and Order, HMI was registered with  
19 the Securities Division of the Washington State Department of Financial Institutions  
20 ("Securities Division") under RCW 21.20.210 and WAC chapter 460-33A to sell mortgage  
21 paper securities, as defined in WAC 460-33A-015(4). HMI's mortgage paper securities  
22 registration (permit number 70013545) had been scheduled to expire on February 27, 2010.  
23

24 4. HMI was registered as a securities broker-dealer under RCW 21.20.040. HMI's  
25 securities broker-dealer registration (permit number 10005029) had been scheduled to  
expire on February 27, 2010.

1                   SALE OF "WHOLE LOAN" INVESTMENTS UNDER CLAIMED EXEMPTION

2                   8. HMI also offered and sold "whole loan" investments, where a single investor  
3 purchases 100% of a specific loan to a specific HMI borrower. Under the exemption in  
4 RCW 21.20.320(5), "whole loan" investments are generally exempt from securities  
5 registration if they are offered and sold as part of a single investment in a single loan to a  
6 single borrower. However, when the investments are offered and sold as a group of  
7 investments, the investment might not qualify for the exemption.  
8

9                   9. Even if HMI's "whole loan" investments are exempt from securities registration, the  
10 investments are still subject to the anti-fraud provisions of the Washington Securities Act, as  
11 set forth in RCW 21.20.010. Under the anti-fraud provisions, when offering and selling  
12 securities, HMI must give an investor all material information necessary for the investor to  
13 determine the nature and risks of the investment and HMI must not engage in any act,  
14 practice, or course of business which operates or would operate as a fraud or deceit upon the  
15 investor.  
16  
17

18                   HMI'S "WHOLE LOAN" INVESTMENT PRACTICES PUT INVESTORS AT RISK

19                   10. During 2007, 2008, and 2009, when offering and selling HMI "whole loan"  
20 investments, HMI represented to the investors that they were purchasing an investment that  
21 was secured by real property. However, because HMI generally did not transfer or assign  
22 the note to the investor, and often did not record an assignment of the deed of trust that  
23 purportedly secured the investment, the investor might be considered an unsecured creditor  
24 of HMI at the time the investment was made.  
25

1 to the investor and does not assign and record a deed of trust in the name of the investor,  
2 HMI has failed to disclose that the investor might be an unsecured creditor of HMI at the  
3 time that the investment is made. HMI has failed to disclose that the investor might be  
4 subject to the claims of other HMI and Hoss creditors. HMI has failed to disclose the  
5 intended and the actual use of the investor's funds. HMI has failed to provide the investor  
6 with any financial information, including a loan application, a credit report, and a financial  
7 statement, from the purported borrower. HMI has failed to provide the investor with  
8 property title information, including title insurance policies, for the real property that is  
9 represented to secure the investment. HMI has failed to give the investor property valuation  
10 information, including property appraisals and complete property descriptions, for the real  
11 property that is represented to secure the investment.  
12  
13

#### 14 FRAUDULENT CONDUCT BY HMI AND HOSS

15 14. When offering and selling investments, HMI and Hoss have each sold the same  
16 particular investment to more than one investor, without telling the subsequent investor that  
17 the same investment had already been sold to someone else. HMI and Hoss have each  
18 represented to investors that they were purchasing investments that were secured by real  
19 estate deeds of trust, but HMI and Hoss have each willfully misrepresented the position of  
20 the deeds of trust or have willfully failed to record the deeds of trust to protect the investors.  
21 HMI and Hoss have each sold more than 100% of the interest in a particular loan and have  
22 failed to grant security interests to the later investors. HMI and Hoss have each offered and  
23 sold investments that were ostensibly being made to fund loans to borrowers, but the loans  
24 were never made. HMI and Hoss have each offered and sold interests in loans to  
25

1 Misrepresentations and Omissions

2 17. When offering and selling the \$42,000 Sierra II repurchase guarantee, HMI and Hoss  
3 each failed to disclose to Investor A that the repurchase guarantee was not offered and sold as  
4 part of a registered securities offering. HMI and Hoss each failed to give the investor financial  
5 information showing the value of the guarantee. HMI and Hoss each failed to disclose the risk  
6 of relying on the guarantee.  
7

8 Offer and Sale of an \$862,800 "Participation" Investment in the Sierra II, LLC Loan

9 18. On May 1, 2008, despite having already sold 100% of the participation interests in  
10 the Sierra II, LLC loan #28065, HMI and Hoss offered and sold another \$862,800  
11 participation investment interest in the loan to "Investor B," who was over 90 years old.  
12 HMI and Hoss each represented that Investor B would have a 35.95% interest in the loan  
13 and that the investor would have a first position deed of trust to secure the investment, so  
14 that no other deed of trust would have a higher claim. HMI and Hoss each represented that  
15 the investment would pay 15% annual interest. Investor B did not participate in the  
16 management of the loan and Investor B was relying on HMI for loan management and  
17 collection services. Since April 2009, Investor B has not received any monthly interest  
18 payments from the investment. To date, the investment has not been repaid.  
19  
20  
21

22 Misrepresentations and Omissions

23 19. When offering and selling the \$862,800 participation investment in HMI Sierra II,  
24 LLC loan #28065, HMI and Hoss each failed to disclose that 100% of the Sierra II, LLC  
25 participation loan had already been sold to other investors and that Investor B received no  
interest in the loan and no real property security interest in the first position deed of trust.

1 new deeds of trust from Sierra II, LLC to HMI. One deed of trust was for \$862,800. The  
2 other deed of trust was for \$170,000, which represented the investor's original investment  
3 of \$100,000, plus a contribution of \$70,000 from the investor's son. HMI and Hoss gave  
4 each investor an assignment of the new deeds of trust. The deeds of trust were recorded on  
5 May 14, 2009, and the assignments of the deeds of trust were recorded on May 18, 2009.  
6 From a review of the public records, it appears that the \$862,800 deed of trust is in second  
7 position and the \$170,000 deed of trust is in third position.  
8

9 B.) VON LOSSOW INVESTMENTS

10 \$220,000 HMI Loan to Von Lossow

11  
12 23. In January 2008, HMI and Hoss originated a loan to an HMI borrower named Von  
13 Lossow. The amount of the loan was \$220,000. Von Lossow gave HMI a \$220,000  
14 promissory note and a \$220,000 first position deed of trust against real property located at  
15 8525 NE Juanita Drive in Kirkland, Washington. In January 2008, HMI recorded the  
16 \$220,000 deed of trust.  
17

18 Offer and Sale of the Same \$220,000 HMI Von Lossow Investment to Two Different  
19 Investors

20 24. In February 2008, HMI and Hoss offered and sold the "whole" \$220,000 Von  
21 Lossow note and deed of trust to "Investor D," but HMI and Hoss never assigned the Von  
22 Lossow note and deed of trust to Investor D. In October 2008, HMI and Hoss again offered  
23 and sold the "whole" \$220,000 Von Lossow note and deed of trust to "Investor E," but HMI  
24 and Hoss never assigned the Von Lossow note and deed of trust to Investor E and the Von  
25 Lossow investment was never shown on Investor E's monthly HMI account statements.

1 Several weeks later, after Investor D discovered that the Von Lossow property had been  
2 sold, Investor D confronted Hoss to demand the repayment of the investment. In April  
3 2009, HMI and Hoss assigned a substitute \$240,000 deed of trust from HMI to Investor D  
4 against property located in San Juan County, Washington.  
5

#### 6 HMI Written Repurchase Guarantee

7 27. When offering and selling the \$220,000 Von Lossow repurchase guarantee, HMI and  
8 Hoss each failed to disclose that the repurchase guarantee was not offered or sold as part of a  
9 registered securities offering. HMI and Hoss did honor the repurchase guarantee to Investor E.  
10 However, in the audited financial statements that HMI has filed with the Securities Division,  
11 HMI did not disclose any repurchase guarantees to investors.  
12

#### 13 \$88,000 and \$15,000 Von Lossow Promissory Notes

14 28. During May 2009, while being interviewed by telephone, Von Lossow told a  
15 Securities Division employee that sometime after Von Lossow signed the \$220,000 promissory  
16 note to HMI, he also signed an \$88,000 promissory note and a \$15,000 promissory note to  
17 HMI. Von Lossow said that he wanted to have a "line of credit" that he could use if he was  
18 unable to sell the Kirkland house that secured his \$220,000 HMI loan. However, because the  
19 Kirkland house did sell in 2008, Von Lossow said that he never received any loan proceeds  
20 from the \$88,000 note or from the \$15,000 note that he signed and gave to HMI.  
21  
22

#### 23 Offer and Sale of an \$88,000 Von Lossow Investment

24 29. In October 2008, HMI and Hoss offered and sold an \$88,000 Von Lossow  
25 investment to "Investor F." HMI and Hoss represented to the investor that the investment  
would be used to fund an \$88,000 loan to a borrower named Von Lossow. HMI and Hoss

1 for loan management and collection services. The investment was not offered and sold as  
2 part of a registered securities offering. Since April 2009, Investor G has not received any  
3 monthly interest payments for the investment and Investor G has stopped receiving monthly  
4 account statements from HMI. To date, the investment has not been repaid.

5  
6 Misrepresentations and Omissions

7 32. When offering and selling the \$15,000 Von Lossow investment, HMI and Hoss  
8 each failed to disclose that the purported borrower, Von Lossow, did not receive any loan  
9 proceeds from a \$15,000 loan from HMI. HMI and Hoss each failed to disclose to Investor  
10 G that the investment was unsecured. HMI and Hoss each failed to disclose the intended  
11 and the actual use of the investor's funds.

12  
13 C.) DE CHANTAL OR OLYMPIC MEADOWS OR NORTH PACIFIC LAND AND  
14 TIMBER INC. ("NPLT") OR DEER PARK INVESTMENTS

15 HMI De Chantal Loans

16 33. As of the entry date of this Statement of Charges, public records show that HMI  
17 has loaned more than \$3,000,000 to a borrower named De Chantal and has taken back more  
18 than 50 deeds of trust as security for the loans. The deeds of trust were granted to HMI by  
19 North Pacific Land and Timber Inc., the trustee for the Olympic Meadows Land Trust,  
20 against four parcels of land in Clallam County, including land that was to become a  
21 development known as Deer Park. The loan proceeds were to be used to improve the four  
22 parcels of land.  
23  
24  
25

1 HMI and that there might be inadequate value in the real property to serve as security for  
2 some of the investments.

3 Offer and Sale of a \$10,222 Investment in a \$538,000 Deer Park Participation Loan

4  
5 36. In October 2008, HMI offered and sold to "Investor H" a \$10,222 participation  
6 investment interest in Deer Park 2008 HMI loan #28083 for \$538,000. HMI and Hoss each  
7 represented that Investor H would have a 1.90% interest in the loan and that Investor H  
8 would have a first position deed of trust, so that no other deed of trust would have a higher  
9 claim. HMI and Hoss each represented that the investment would pay 15% annual interest.  
10 Investor H did not participate in the management of the loan and Investor H was relying on  
11 HMI for loan management and collection services. Since April 2009, Investor H has not  
12 received any monthly interest payments from the investment. To date, the investment has  
13 not been repaid.  
14

15 \$538,000 Deer Park Deed of Trust

16  
17 37. The Clallam County Auditor's Office shows a \$538,000 recorded deed of trust  
18 dated September 30, 2008, from North Pacific Land and Timber Inc. to HMI. The deed of  
19 trust was signed by Alain De Chantal. The deed of trust refers to Loan #28086, but it  
20 appears likely that Investor H was supposed to have been secured by an interest in that  
21 particular deed of trust because there were no other recorded deeds of trust for \$538,000.  
22 On June 26, 2009, there was a full reconveyance of the \$538,000 deed of trust. Investor H  
23 was never notified by HMI or by Hoss about the reconveyance.  
24  
25

1 Chantal's Woods Lake property, located in Snohomish County. HMI and Hoss each  
2 represented that the investment would pay 15% annual interest, but Investor I has never  
3 received any payments from the investment, even though HMI was supposed to collect up-  
4 front interest reserves for the loan. The Woods Lake investment was not listed on Investor  
5 I's HMI monthly account statements from January 2009 through April 2009, after which  
6 statements ceased. Investor I did not participate in the management of the loan and Investor  
7 I was relying upon HMI and Hoss for loan management and collection services. To date,  
8 the investment has not been repaid.

9  
10  
11 Misrepresentations and Omissions

12 42. When offering and selling the \$50,058 Woods Lake investment, HMI and Hoss  
13 each represented that the offering of the investment was registered with the Securities  
14 Division. HMI and Hoss each failed to disclose that Investor I was an unsecured creditor of  
15 HMI when the investment was made because HMI and Hoss each failed to assign the note  
16 and deed of trust to the investor. HMI and Hoss each failed to disclose to Investor I that  
17 HMI had not fully funded the Woods Lake loan and that insufficient funding of the loan  
18 might jeopardize the Woods Lake development project and the borrower's ability to repay  
19 the loan.  
20

21 Offer and Sale of a \$163,215 Woods Lake Investment

22 43. On January 30, 2009, HMI offered a \$163,215 participation investment in the  
23 \$810,000 Woods Lake promissory note and first position deed of trust to "Investor J." HMI  
24 and Hoss each represented to Investor J that the investor's funds would be used as part of  
25 the financing for an \$810,000 loan to HMI's borrower, De Chantal. HMI and Hoss each

1 sixty days if the Woods Lake loan went into default. The repurchase agreement was supposed  
2 to remain confidential and not be disclosed by Investor J, or it would become null and void.  
3 Based upon the purported repurchase guarantee, Investor J increased the amount of the  
4 investment from \$100,000 to \$163,215. The repurchase guarantee was not sold as part of a  
5 registered securities offering. The repurchase guarantee was not disclosed in the March 31,  
6 2009 quarterly financial statement that HMI has filed with the Securities Division.  
7

#### 8 Misrepresentations and Omissions

9 46. When offering and selling the \$163,215 Woods Lake repurchase guarantee, HMI and  
10 Hoss each failed to disclose to Investor J that the repurchase guarantee was not offered and  
11 sold as part of a registered securities offering. HMI and Hoss each failed to give the investor  
12 financial information showing the value of the guarantee. HMI and Hoss each failed to  
13 disclose the risk of relying on the guarantee.  
14

#### 15 E.) MINDEN INVESTMENT

##### 16 Offer and Sale of the \$240,000 Investment

17  
18 47. In April 2009, HMI and Hoss each offered and sold a \$240,000 "whole loan"  
19 investment in the Minden promissory note and deed of trust to "Investor K." HMI and Hoss  
20 each represented that the investment would be secured by a first position deed of trust, but  
21 HMI and Hoss never assigned the Minden note and deed of trust to Investor K. Investor K  
22 did not participate in the management of the Minden loan and Investor K was relying on  
23 HMI and Hoss for loan management and collection services. To date, the investment has  
24 not been repaid.  
25

1 F.) MOUNTAIN SHADOW INVESTMENT

2 \$340,000 Mountain Shadow Participation Loan

3 51. During 2009, HMI started to originate a \$340,000 loan to an HMI borrower named  
4 Normurk, LLC. The loan proceeds were to be used to develop the Mountain Shadow Mobile  
5 Home Park in Pierce County. The loan was to be secured by a second position deed of trust  
6 against the mobile home park property. On December 24, 2008, HMI recorded the \$340,000  
7 deed of trust from Normurk, LLC to HMI. However, according to investor conversations with  
8 Ronald Krumvieda, the managing member of Normurk, LLC, the borrower never received the  
9 full loan amount.  
10  
11

12 Regulation D Filing for the Mountain Shadow Investment

13 52. The offer and sale of the \$340,000 Woods Lake investment was not part of a  
14 registered securities offering, but HMI did make a Rule 506, Regulation D exemption filing  
15 with the Securities & Exchange Commission. However, HMI did not make any exemption  
16 filing with the Securities Division, as required by WAC 460-44A-503 and -506.  
17

18 Offer and Over-sale of the Mountain Shadow Investment

19 53. From December 2008 through April 2009, HMI and Hoss offered and sold  
20 approximately \$400,000 worth of investments in the \$340,000 Mountain Shadow investment.  
21 When offering and selling the investments, HMI and Hoss represented that investor funds  
22 would be used to develop the Mountain Shadow Mobile Home Park property. HMI and Hoss  
23 represented that the Mountain Shadow investments would be secured by a \$340,000 second  
24 position deed of trust against the property.  
25

1 G.) CORNERSTONE INVESTMENTS

2 Offer and Sale of Cornerstone Investments

3 57. During 2008, HMI and Hoss offered and sold to at least four investors promissory  
4 note and deed of trust investments, totaling more than \$200,000, from a borrower  
5 purportedly named Cornerstone. HMI and Hoss represented to the investors that the  
6 investments would pay at least 15% annual interest. The investors did not participate in the  
7 management of the Cornerstone loans and the investors were relying upon HMI for loan  
8 management and collection services. The investments were not sold as part of a registered  
9 securities offering. Since April 2009, the investors have not received the monthly interest  
10 payments for their investments and the investors have stopped receiving HMI monthly  
11 account statements. To date, the investments have not been repaid.  
12

13 Misrepresentations and Omissions

14 58. When offering and selling the Cornerstone investments, HMI and Hoss each  
15 represented to investors that they would have a first position deed of trust to secure their  
16 investments. HMI and Hoss each failed to assign first position deeds of trust to secure the  
17 investments. HMI and Hoss each failed to identify the purported borrower. HMI and Hoss  
18 each failed to disclose the intended and the actual use of the investors' funds.  
19  
20

21 Later Representations by Hoss

22 59. Several months after the Cornerstone investments were made, Hoss told at least  
23 two of the Cornerstone investors that they were supposed to have a first position deed of  
24 trust against an unfinished house in Bellevue that is known as the Cheban property.  
25

However, the Cheban property was not owned by Cornerstone. The property was owned by

1 Securities Division. On May 12, 2009, HMI submitted its March 31, 2009, balance sheet to  
2 the Securities Division. The balance sheet showed that HMI's checking account was  
3 overdrawn by \$26,867.62. On May 13, 2009, the Securities Division sent HMI a letter  
4 requesting an explanation for the overdraft and proof of the current account balance. HMI's  
5 attorney sent a June 17, 2009, letter representing that HMI's checking account was not  
6 actually overdrawn and representing that HMI would provide a copy of the current account  
7 balance "in a day or two." As of the entry date of this Superseding Statement of Charges  
8 and Order, HMI has not provided the Securities Division with a copy of the account balance  
9 or an explanation of HMI's financial position. Additionally, as of the entry date of this  
10 Superseding Statement of Charges and Order, HMI is delinquent in its reporting obligations  
11 because HMI has not filed its June 30, 2009, quarterly financial statement with the  
12 Securities Division.  
13  
14

15 63. After April 2009, HMI stopped sending monthly account statements and monthly  
16 interest payments to numerous HMI investors. As of August 5, 2009, the Securities  
17 Division has received complaints from sixteen HMI investors who did not receive their  
18 monthly account statements or their monthly payments from May 2009 to present. In  
19 addition, at least two HMI investors have made investments that were never listed on their  
20 HMI monthly account statements, even though they made the investments prior to April  
21 2009, when monthly account statements were still being sent to the investors. HMI and  
22 Hoss also have issued payment guarantees to investors and the guarantees have not been  
23 met.  
24  
25

1 HMI 1 LLC and Hoss represented to the investors that they would receive 15% annual  
2 interest on their HMI 1 LLC investments.

3 69. HMI 1 LLC and Hoss represented to the investors that HMI 1 LLC was raising a  
4 total of \$1,900,000. HMI 1 LLC and Hoss represented to the investors that their funds  
5 would be pooled together and used to purchase from Westsound Bank a \$1,700,000  
6 promissory note and first position deed of trust from Sergey Cheban for a loan to complete  
7 the construction of the Cheban house. HMI 1 LLC and Hoss represented to the investors  
8 that the value of the Cheban home would be approximately \$3.3 million after completion.  
9 HMI 1 LLC and Hoss represented that the LLC would have a first position deed of trust to  
10 secure the members' investment. HMI 1 LLC and Hoss represented to the HMI 1 LLC  
11 investors that HMI would subordinate deeds of trust totaling approximately \$570,000 that  
12 had been previously recorded by HMI against the Cheban property.  
13  
14

15 Dishonest and Unethical Conduct by Hoss Regarding HMI 1 LLC Investments

16  
17 70. In February 2009, HMI 1 LLC sent Form K-1 tax returns to each of the HMI 1  
18 LLC members. In April 2009, one of the investors called a membership meeting to remove  
19 Hoss as the managing member of HMI 1 LLC. Shortly thereafter, Hoss claimed that one of  
20 the members, who had invested approximately \$575,000 in HMI 1 LLC, had actually made  
21 a personal loan to Hoss, rather than investing in HMI 1 LLC, and that Hoss was entitled to  
22 vote for that investor's membership interest. In May 2009, the investor told a Securities  
23 Division employee that she never made a personal loan to Hoss and that she has never even  
24 met Hoss. The investor said that she purchased a membership interest in HMI 1 LLC.  
25

1 also needs to investigate whether there have been any further violations of the Securities Act  
2 by Respondents or their representatives.

3 NEED FOR SUMMARY ACTION

4 75. The Securities Administrator finds that an emergency exists, that Respondents'  
5 continued violations of the Securities Act constitute a threat to the investing public, and that a  
6 stop order is in the public interest and that summary orders to cease and desist from those  
7 violations are in the public interest and necessary for the protection of the investing public.

8  
9 Based on the Tentative Findings of Fact, the following Conclusions of Law are made:

10 **CONCLUSIONS OF LAW**

11  
12 1. As set forth above in the Tentative Findings of Fact, the offer or sale of the  
13 notes, investments in notes and deeds of trust, mortgage paper securities, or a guarantee of  
14 the foregoing, or LLC membership interests each constitutes the offer or sale of a security as  
15 defined in RCW 21.20.005(10) and (12), whether in the form of a note, an investment  
16 contract, an evidence of indebtedness, or otherwise.

17  
18 2. As set forth above in the Tentative Findings of Fact, Respondents, HMI and  
19 Hoss, have each made untrue statements of material fact or omitted to state material facts  
20 necessary in order to make the statements made, in the light of the circumstances under  
21 which they are made, not misleading, in violation of RCW 21.20.010, the anti-fraud section  
22 of the Securities Act of Washington. As set forth above in the Tentative Findings of Fact,  
23 HMI and Hoss have also engaged in an act, practice, or course of business which operates or  
24 would operate as a fraud or deceit upon investors, in violation of RCW 21.20.010.  
25

1 Based on the foregoing, the Securities Administrator takes the following actions:

2 **STOP ORDER**

3 NOW, THEREFORE, IT IS HEREBY ORDERED, under the authority of RCW  
4 21.20.280, that the current securities registration of Hoss Mortgage Investors, Inc., is hereby  
5 suspended.  
6

7 **SUMMARY ORDER TO CEASE AND DESIST**

8 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED, under the authority  
9 of RCW 21.20.390, that Respondents, Hoss Mortgage Investors, Inc. and Todd Allan Hoss,  
10 and their agents and employees, each shall cease and desist from offering or selling securities  
11 in any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of  
12 Washington.  
13

14 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.390, that  
15 Respondents, Hoss Mortgage Investors, Inc. and Todd Allan Hoss, and their agents and  
16 employees, each shall cease and desist from offering or selling securities in any manner in  
17 violation of RCW 21.20.140, the securities registration section of the Securities Act.  
18

19 **SUMMARY ORDER REVOKING EXEMPTIONS**

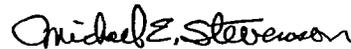
20 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.325, that the  
21 exemptions for HMI and for Hoss under RCW 21.20.320(1), RCW 21.20.320(5), RCW  
22 21.20.320(8), RCW 21.20.320(9), RCW 21.20.320(11) and RCW 21.20.320(17) are hereby  
23 revoked.  
24  
25

1 each make a written request for a hearing, as set forth in the NOTICE OF OPPORTUNITY TO  
2 DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order.

3 If a Respondent fails to make a timely hearing request, the Securities Administrator  
4 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to  
5 impose the sanctions that are sought against that respondent: to order the respondent to cease  
6 and desist; to enter a final order revoking securities registration; to enter a final order revoking  
7 securities broker-dealer and securities salesperson registration; to enter a final order revoking  
8 the securities exemptions set forth in RCW 21.20.320 (1), (5), (8), (9), (11), and (17); and to  
9 impose a fine.  
10  
11

12 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE

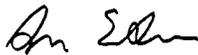
13 DATED AND ENTERED this 26th day of August 2009

14  
15 

16 \_\_\_\_\_  
17 MICHAEL E. STEVENSON  
18 Securities Administrator

18 Approved by:

18 Presented by:

19  
20 

19  
20 

21 \_\_\_\_\_  
22 Suzanne E. Sarason  
23 Chief of Enforcement

21 \_\_\_\_\_  
22 Janet So  
23 Enforcement Attorney

23 Reviewed by:

24 

25 \_\_\_\_\_  
26 Martin Cordell Financial  
27 Legal Examiner Supervisor

SUPERSEDING STATEMENT OF CHARGES, STOP ORDER  
SUSPENDING AND NOTICE OF INTENT TO REVOKE  
SECURITIES REGISTRATION, SUMMARY ORDER TO CEASE  
AND DESIST, SUMMARY ORDER REVOKING EXEMPTIONS,  
SUMMARY ORDER SUSPENDING AND NOTICE OF INTENT TO  
REVOKE SECURITIES BROKER-DEALER AND SECURITIES  
SALESPERSON REGISTRATION, AND NOTICE OF INTENT TO  
IMPOSE A FINE