

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order Number S-05-225-06-FO01
5 whether there has been a violation of the)
6 Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND
7 David A. Ball dba Beacon Development) CONCLUSIONS OF LAW AND FINAL
8 Group, Inc., and David A. Ball;) ORDER TO CEASE AND DESIST, IMPOSE
9 Respondents.)) FINES, AND CHARGE COSTS
10)
11)

12 THE STATE OF WASHINGTON TO: David A. Ball, individually
13 David A. Ball dba Beacon Development
14 Group, Inc.

15 **STATEMENT OF CHARGES**

16 On October 23, 2006, the Securities Division of the State of Washington, Department of
17 Financial Institutions, (“the Division”) issued Summary Order to Cease and Desist and Notice
18 of Intent to Impose Fines and Charge Costs (“Summary Order”), Order No. S-05-225-06-TO01,
19 against Respondents David A Ball dba Beacon Development Group, Inc. and David A. Ball.

20 On December 4, 2006, the Summary Order, together with a Notice of Opportunity to
21 Defend and Opportunity for Hearing (“Notice of Opportunity for Hearing”), and an Application
22 for Adjudicative Hearing (“Application for Hearing”) were personally served on Respondent,
23 David A. Ball.

24 The Division has not received any communication and/or request for a hearing from
Respondents, David A. Ball dba Beacon Development Group, Inc. or David A. Ball,
individually.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER TO
CEASE AND DESIST, IMPOSE FINES, AND
CHARGE COSTS

1 The Securities Administrator makes the following findings of facts and conclusions of
2 law:

3 **FINDINGS OF FACT**

4 **RESPONDENTS**

5 1. David A. Ball dba Beacon Development Group, Inc. (“Beacon Development”), a real estate
6 development company, is an entity with its principal place of business in The Dalles, Oregon.
7 Beacon Development was never incorporated and all business performed under the name
8 Beacon Development was by and/or on behalf of David A. Ball.

9 2. David A. Ball (“Ball”) is the sole-proprietor of Beacon Development and holds himself out
10 as the President of Beacon Development.

11 **NATURE OF THE OFFERING**

12 3. Ball and/or Ball dba Beacon Development purchased real estate in Washington and Oregon
13 for development and resale. Ball’s intended development of the real estate included
14 construction, remodeling, and/or landscaping prior to the resale. All property was held in Ball’s
15 name or jointly held with his wife. Certain properties purchased by Ball have been deeded to
16 his wife as her personal property to be held as her separate estate.

17 4. Ball approached at least five Washington residents about entering into Investor Agreements
18 with Beacon Development related to real estate development.

19 5. In the two page promotional materials included with investor agreements, Ball told investors
20 that he would identify real estate investment opportunities, acquire real estate, develop the real
21 estate, provide security and guarantee, as well as obtain, financing. Additionally, Ball
22 represented that he would pay monthly carrying costs, pay marketing costs to sell, lease, or rent
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1 property, pay closing costs to buy and sell real estate, and pay investors earned interest
2 payments.

3 6. All investments were allegedly to be secured by real property, however, only a portion of
4 one investor's investment has been recorded.

5 INVESTORS A AND B

6 7. In February or March, 2004, Ball met Washington residents Investors A and B when they
7 refinanced their personal residence through a mortgage broker that Ball worked with.

8 8. Ball told Investors A and B of past real property he had purchased, developed, and sold for a
9 profit. Investors A and B drove by the profitable properties and viewed the success of those
10 transactions as an indicator of the future success for Beacon Development.

11 9. On March 23, 2004, Investors A and B signed a letter of intent that proposed they invest
12 \$45,000 for one year with Ball. Investors A and B were given two payment options. First, they
13 could receive a monthly return of 4% (\$1,800 monthly payments), for a total return of 48%.
14 Second, they could receive a lump sum payment of \$32,400 plus the original \$45,000 principal
15 at the end of one year for a total return of 72%.

16 10. On April 15, 2004, Investors A and B chose the second payment option and entered into a
17 Beacon Development Group Investor Agreement with Ball as the President for a \$45,000
18 investment that would pay \$32,400 in interest at the end of one year, and return the original
19 principal of \$45,000, for a total return of 72%.

20 11. Investors A and B received a loan at 5% annual interest from Investor A's 401k retirement
21 plan and provided Ball with \$45,000 cash.

22 12. Ball deposited the \$45,000 into his personal bank account from which Ball made personal
23 and business purchases.

1 13. On April 21, 2005, Investors A and B entered into a new Beacon Development Investor
2 Agreement that paid \$2,800 in monthly interest (4% per month) for one year on a \$70,000
3 investment, which was a combination of their earlier \$45,000 investment plus \$25,000 of the
4 interest purportedly earned in the first year of the \$45,000 investment. The investment
5 agreement included an option to reinvest for an additional year at 4% interest per month.

6 14. The investment agreement also stated that the investment would be secured, however,
7 Investor A's and B's interest has not been recorded.

8 15. Ball made monthly payments to Investors A and B until September, 2005, when he made
9 only a partial payment. Investors A and B did not exercise the option to "reinvest" in April,
10 2006. Investors A and B did not receive payment of their principal or interest upon maturity in
11 April, 2006.

12 INVESTOR C

13 16. Ball met Investor C, a Washington resident, sometime in 2003 through a realtor who was
14 representing Investor C in the sale of one of Investor C's properties.

15 17. Investor C sold several properties to Ball in 2003 and 2004. Ball agreed to pay Investor C's
16 full asking price on each property. A portion of the proceeds from each sale, usually the equity
17 in each property, was retained by Investor C as a seller carry-back. Ball then took full
18 ownership of each property, and paid off Investor C's mortgage with a new loan on each
19 property. Investor C would then allow Ball's lender to have the first position secured interest on
20 the respective piece of property. Ball explained to Investor C that his seller carry-back would
21 take a second position to Ball's lender's position on the property. However, only two of
22 Investor C's seller carry-backs were recorded. A Deed of Trust for \$25,800 and a Deed of Trust
23 for \$128,000 were recorded with Investor C listed as the beneficiary. Ball explained that

1 additional security for investment beyond the \$153,800 (\$25,800 and \$128,000 combined) was
2 the excess value beyond the existing encumbrances on all of the property that Ball owns.

3 18. On February 3, 2005, Investor C entered into a Beacon Development Group Investor
4 Agreement with Ball, which listed him as the President that consolidated Investor C's total
5 investments of \$680,000. In the investor agreement, the \$680,000 was attributed as
6 compensation for six pieces of real estate that Ball had purchased for development. The
7 investment agreement stated that Investor C would be paid \$17,000 monthly interest on the
8 \$680,000 for two years, at which time the principal would be paid back.

9 19. Investor C later agreed to add missed monthly interest payments to the principal of his
10 investment.

11 INVESTOR D

12 20. Investor C introduced Ball to Investor D, a Washington resident and Investor C's son.

13 21. Investor D made a \$70,000 investment in Beacon Development and entered into a Beacon
14 Development Group Investor Agreement with Ball dated July 21, 2004. A portion of the
15 \$70,000 was a credit from the sale of Investor D's house to Ball and the remaining amount was
16 a cash investment given to Ball by Investor D. The Investor Agreement stated that Beacon
17 Development would pay \$1,750 per month in interest for two years. Investor D remained in the
18 house and paid \$450 in monthly rent to Ball. The rent was credited toward the monthly interest
19 payments, so monthly payments of approximately \$1,300 in interest were initially made to
20 Investor D. The monthly payments to Investor D stopped after six or seven months.

21 22. The investment agreement also stated that the investment would be secured, however,
22 Investor D's interest has not been recorded.

1 INVESTOR E

2 23. Investor C introduced Ball to Investor E, a Washington resident and Investor C's ex-wife.

3 24. Investor E sold real estate for approximately \$380,000 to Ball that included a house.

4 Investor E then invested \$280,000 in the form of a cashier's check and entered into a Beacon
5 Development Group Investment Agreement dated August 12, 2004 for \$280,000 that paid
6 \$7,000 in interest a month for one year.

7 25. Ball financed 100% of the purchase through a bank because he planned to make this house
8 his personal residence. Ball planned to use the \$280,000 to improve Investor E's house and to
9 subdivide the acre into lots for building additional homes to be sold later. Ball received an
10 appraisal on Investor E's house which stated that with the improvements he planned, the home
11 would be worth between \$860,000 and \$960,000.

12 26. Ball made monthly interest payments to Investor E for about 6 months and then stopped.

13 27. At maturity, Investor E chose to not get the \$280,000 principal and instead requested that
14 monthly payments be made. Ball has made sporadic monthly payments, but never made the full
15 \$7,000 monthly interest payment that he agreed to.

16 28. The investment agreement also stated that the investment would be secured, however,
17 Investor A's and B's interest have not been recorded.

18 INVESTOR F

19 29. Investor F, a Washington resident, was introduced to Ball by Investor C.

20 30. Ball purchased real estate for \$285,000 from Investor F. Investor F invested \$231,000 of the
21 purchase price in Beacon Development in the form of a cashier's check. Investor F also entered
22 into a second mortgage with Ball, a seller carry-back, of \$22,500. Investor F entered into a

23 Beacon Development Group Investor Agreement that combined the \$231,000 investment and

1 the \$22,500 seller carry-back for a total investment of \$253,500. The investment agreement
2 states that interest of \$2,112.50 is to be paid monthly for three years on the \$231,000
3 investment. Investor F remained in the house on the property and agreed to rent it from Ball for
4 \$221.51 per month. Investor F did not pay rent to Ball, and the unpaid rent was treated as a
5 monthly offset on the \$221.50 monthly interest payments Ball owed Investor F on the \$22,500
6 seller carry-back.

7 31. In addition to the investment agreement with Investor F, Investor F and Ball entered into a
8 "land contract," in which Investor F will allegedly deed each of five lots as monthly payments
9 are made by Ball. Because of the terms of the land contract, Ball continues to make monthly
10 payments to Investor F in order to avoid forfeiture of the transaction.

11 MISREPRESENTATIONS AND OMISSIONS

12 32. Ball failed to provide Washington investors with material information regarding the
13 investment opportunities, including but not limited to: financial statements, the use of proceeds,
14 and his business background.

15 33. Ball told investors he would incorporate Beacon Development. However, Ball failed to
16 incorporate Beacon Development as he represented. Ball also held himself out as the president
17 of Beacon Development, even though it had not been incorporated.

18 34. Ball failed to disclose to Washington investors the material risks involved with the
19 investment opportunity, including but not limited to his determination to subordinate interest
20 payments to nearly all other costs of the real estate development projects.

21 REGISTRATION STATUS

22 35. Beacon Development is not currently registered to sell its securities in the State of
23 Washington and has not previously been so registered.

1 36. David Ball is not currently registered as a securities salesperson or broker-dealer in the State
2 of Washington and has not previously been so registered.

3
4 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

5
6 **CONCLUSIONS OF LAW**

7 1. The offer or sale of the investment opportunities described above constitute the offer or
8 sale of a security as defined in RCW 21.20.005(10) and (12).

9 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no registration
10 for such offer or sale is on file with the Securities Administrator.

11 3. David A. Ball has violated RCW 21.20.040 by offering or selling said securities while not
12 registered as a securities salesperson or broker-dealer in the state of Washington.

13 4. The offer or sale of said securities was made in violation of RCW 21.20.010 because as set
14 forth in the Tentative Findings of Fact, Respondents omitted to state material facts necessary in
15 order to make the statements made, in the light of the circumstances under which they were
16 made, not misleading.

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18 **FINAL ORDER**

19 Based on the foregoing:

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21 NOW, THEREFORE, IT IS HEREBY ORDERED that Respondents, David A. Ball and
22 David A. Ball dba Beacon Development Group, Inc., and their agents and employee, each cease
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1 and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the
2 section of the Securities Act of Washington requiring registration.

3 IT IS FURTHER ORDERED that Respondent, David A. Ball, cease and desist from
4 violation of RCW 21.20.040, the section of the Securities Act that requires registration of
5 securities salespersons and broker-dealers.

6 IT IS FURTHER ORDERED that Respondents, David A. Ball and David A. Ball dba
7 Beacon Development Group, Inc., and their agents and employees, each cease and desist from
8 violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

9 IT IS FURTHER ORDERED that Respondents, David A. Ball and David A. Ball dba
10 Beacon Development Group, Inc., shall be liable for and pay a fine of \$30,000.

11 IT IS FURTHER ORDERED that Respondents, David A. Ball and David A. Ball dba
12 Beacon Development Group, Inc., shall be liable for and pay costs of \$5,000.

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14 **AUTHORITY AND PROCEDURE**

15 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and 21.20.395
16 and is subject to the provisions of RCW 34.05. The Respondents, David A. Ball and David A.
17 Ball dba Beacon Development Group, Inc., has the right petition the Superior Court for judicial
18 review of this agency action under provision of Chapter 34.05 RCW. For requirements for
19 filing a Petition for Judicial Review, see RCW 34.050.510 and sections following. Pursuant to
20 RCW 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed, the
21 clerk shall treat the order in the same manner as a Superior Court Judgment as to the fine and
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costs, and the fine and costs may be recorded, enforced, or satisfied in like manner.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Dated and Entered this 2nd day of January, 2007



MICHAEL E. STEVENSON
Securities Administrator

Approved by:

Presented by:



Martin Cordell
Chief of Enforcement



Dylan Waits
Financial Legal Examiner