

WASHINGTON STATE
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-09-078-10-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND
) NOTICE OF INTENT TO ENTER AN
John W. Tedmon and Michelle M. Bolland,) ORDER TO CEASE AND DESIST, TO
) IMPOSE A FINE, AND TO CHARGE
) COSTS
)
Respondents)

THE STATE OF WASHINGTON TO: John William Tedmon
Michelle Marie Bolland

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, John W. Tedmon and Michelle M. Bolland, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations and to charge costs and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. John W. Tedmon (“Tedmon”) is a Washington resident whose principal place of business is located in Yelm, Washington. Tedmon has a group of companies that he refers to as the Financial Forum Group. Tedmon and his companies offer financial products and services, including life insurance policies, income tax advice about home-based businesses, and income tax return preparation.

1 Offering of Investments with Promissory Notes Issued by Forum Equity Management

2 Company and Deeds of Trust Issued by Tedmon

3 7. During 2008, Tedmon offered and sold \$400,000 worth of promissory note and deed
4 of trust investments for Forum Equity Management Company to at least two Washington
5 investors. The promissory notes were issued by Tedmon's company, Forum Equity
6 Management Company, and were secured by deeds of trust issued by Tedmon. The notes had
7 annual interest rates ranging from 10% to 12% and terms ranging from approximately three
8 years to more than eleven years. The proceeds from the notes were to be used to provide
9 working capital for Forum Equity Management Company. The promissory notes were secured
10 by real property deeds of trust against Tedmon's home. The investors had no control over the
11 use of their invested funds and they were each relying upon Tedmon to generate a return on
12 their investment.
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15 Misrepresentations and Omissions

16 8. When offering and selling the Forum Equity Management Company promissory note
17 and deed of trust investments, Tedmon failed to disclose to investors the position of the deed of
18 trust that secured the investment. Tedmon failed to disclose the risks of having a subordinated
19 deed of trust. Tedmon failed to disclose the value of the real property that was subject to the
20 deed of trust. Tedmon failed to disclose that the real property that secured the investment was
21 already encumbered by a first position deed of trust for more than \$300,000 for Tedmon's
22 mortgage loan and that the tax assessed value of the property during 2008 was less than
23 \$425,000. Tedmon failed to disclose the specific use of proceeds from the investment.
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Tedmon failed to give the investors financial information about Forum Equity Management

1 Company, including financial statements. Tedmon failed to give the investors financial
2 information about Tedmon, including a financial statement and a credit report. Tedmon failed
3 to disclose that Tedmon had filed for personal bankruptcy in 2000 and that he had filed for
4 personal and corporate bankruptcy in 1976.
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6 Offering of Investments with Promissory Notes and Deeds of Trust Issued by Bolland

7 Investments with Deeds of Trust against Bolland's rental home

8 9. During 2009, Tedmon offered and sold at least two promissory note and deed of trust
9 investments totaling \$80,000 to two Washington investors. The promissory notes and deeds of
10 trust were issued by Bolland. The promissory notes were secured by real property deeds of
11 trust against a rental home owned by Bolland. Bolland gave the promissory notes and deeds of
12 trust to secure investments that were being offered and sold by Tedmon in order to raise
13 working capital for Tedmon's companies. The promissory notes had annual interest rates
14 ranging from 10% to 12% and terms ranging from approximately six months to approximately
15 two years. Tedmon represented that investor funds would be used by Tedmon to generate
16 profits for the investors and for Tedmon. Tedmon represented that investor funds would be
17 used for a business purpose. The investors had no control over the use of their invested funds
18 and did not participate in Tedmon's business activities. The investors were each relying upon
19 Tedmon to generate a return on their investment.
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23 Misrepresentations and Omissions

24 10. In connection with the offer and sale of investments with promissory notes and deeds
25 of trust that were issued by Bolland, Respondents each failed to disclose to investors the
position of the deed of trust that secured the investments. Respondents each failed to disclose

1 the risk of having a subordinated deed of trust. Respondents each failed to disclose the value
2 of the real property securing the investments. Respondents each failed to disclose the specific
3 use of proceeds from the investments. Respondents each failed to give investors financial
4 information about Bolland or about Tedmon's companies, including a financial statement.
5 Respondents each failed to disclose that Tedmon filed for personal bankruptcy in 2000, that
6 Tedmon filed for personal and corporate bankruptcy in 1976, and that Bolland filed for
7 personal bankruptcy during 2000.
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9 Investments with Deeds of Trust against Tedmon's home

10 11. During 2009 and 2010, Tedmon offered and sold at least three promissory note and
11 deed of trust investments totaling \$105,000 to three Washington investors. The promissory
12 notes and deeds of trust were issued by Bolland. Bolland gave the promissory notes and deeds
13 of trust to secure investments that were being offered and sold by Tedmon in order to raise
14 working capital for Tedmon's companies. The promissory notes had 12% annual interest rates
15 and were purportedly secured by real property deeds of trust against Tedmon's home.
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18 12. When offering and selling the investments with promissory notes and deeds of trust
19 that were issued by Bolland, Tedmon represented that investor funds would be used by
20 Tedmon to generate profits for the investors and for Tedmon. Tedmon represented that
21 investor funds would be used for a business purpose. The investors had no control over the use
22 of their invested funds and did not participate in Tedmon's business activities. The investors
23 were each relying upon Tedmon to generate a return on their investment.
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1 Misrepresentations and Omissions

2 13. In connection with the offer and sale of investments with promissory notes and deeds
3 of trust that were issued by Bolland, Respondents each failed to disclose to investors the
4 position of the deed of trust that secured the investments. Respondents each failed to disclose
5 the risk of having a subordinated deed of trust. Respondents each failed to disclose the value
6 of the real property securing the investments. Respondents each failed to disclose the specific
7 use of proceeds from the investments. Respondents each failed to give investors financial
8 information about Bolland or about Tedmon's companies, including a financial statement.
9 Respondents each failed to disclose that Tedmon filed for personal bankruptcy in 2000, that
10 Tedmon filed for personal and corporate bankruptcy in 1976, and that Bolland filed for
11 personal bankruptcy during 2000. Respondents each failed to disclose that Bolland had no real
12 property security interest against Tedmon's home.
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15 Tedmon's Prior Consent Order

16 14. In connection with the offer and sale of promissory note and deed of trust
17 investments, Respondents each failed to disclose to investors that Tedmon had entered into a
18 Consent Decree for Permanent Cease and Desist, Order Revoking Broker-Dealers License and
19 Suspension of Revocation ("Consent Order"), Order Number SDO-26-82, with the Securities
20 Division during March 1982. In the Consent Order, Tedmon agreed not to offer or sell any
21 securities under exemptions from the Washington Securities Act unless Tedmon filed a notice
22 thirty (30) business days prior to such offer or sale and obtained a no-action letter from the
23 Securities Division for such filing. Tedmon further agreed not to offer or sell any securities in
24 violation of RCW 21.20.010, the anti-fraud provision of the Securities Act of Washington.
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Tedmon's Registration Status

15. From 2006 to present, Tedmon has not been registered to sell any offering of securities in the state of Washington. From 2006 to present, Tedmon has not made any filings with the Securities Division or requested any no action letters in connection with any of the offerings of securities described above.

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

CONCLUSIONS OF LAW

I.

The offer or sale of the promissory note and deed of trust investments described above constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12), whether in the form of an investment contract, a note, or an evidence of indebtedness.

II.

As set forth in the Tentative Findings of Fact, Tedmon has violated RCW 21.20.140 because no registration for such offer or sale of said securities is on file with the Securities Administrator.

III.

As set forth in the Tentative Findings of Fact, Tedmon and Bolland have each violated RCW 21.20.010 because, in connection with the offer and sale of said securities, Respondents each made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

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IV.

As set forth in the Tentative Findings of Fact, Tedmon has violated a Securities Division administrative order, Order Number SDO-26-82, issued under RCW 21.20.390.

NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST

Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that John W. Tedmon and Michelle M. Bolland and their agents and employees each shall cease and desist from any violation of RCW 21.20.010 and that John W. Tedmon and his agents and employees each shall cease and desist from any violation of RCW 21.20.140.

NOTICE OF INTENT TO IMPOSE A FINE

Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that John W. Tedmon shall be liable for and shall pay a fine of \$15,000.

NOTICE OF INTENT TO CHARGE COSTS

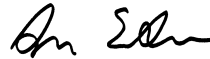
Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Michelle M. Bolland shall be liable for and shall pay costs of \$3,000.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the provisions of chapter 34.05 RCW. The respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

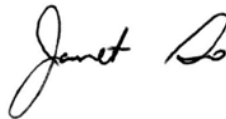
1 If a respondent fails to make a timely hearing request, the Securities Administrator
2 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final, to enter
3 a permanent order to cease and desist, and to charge any costs and to impose any fines sought
4 against the respondent.
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6 Dated and Entered this 7th day of July, 2010

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9 SUZANNE E. SARASON
10 Chief of Enforcement

11 Presented by:

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14 Janet So
15 Enforcement Attorney
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