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

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IN THE MATTER OF DETERMINING) Order No.: S-12-1041-13-CO01
whether there has been a violation of the)
Securities Act of Washington by:)
)
Seattle Business Associates, LLC; Hanbleceya) CONSENT ORDER
Seattle Real Estate, LLC; Kerry Paulson; Elizabeth)
Browning,)
)
Respondents.)

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INTRODUCTION

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Pursuant to the Securities Act of Washington, RCW 21.20, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents, Seattle Business Associates, LLC; Hanbleceya Seattle Real Estate, LLC; Kerry Paulson; and Elizabeth Browning, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

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FINDINGS OF FACT

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Respondents

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1. Seattle Business Associates, LLC (SBA) is a Washington limited liability corporation formed on August 10, 2011. The registered address of SBA is 9750 Third Avenue NE, Suite 375, Seattle, WA 98115-2022.
 2. Hanbleceya Seattle Real Estate, LLC (HSRE) is a Washington limited liability corporation formed on August 10, 2011. The registered address of HSRE is 9750 Third Avenue NE, Suite 375, Seattle, WA 98115.
 3. Kerry Paulson (Paulson) resides in La Mesa, California. Paulson is the Chief Executive Officer of San Diego Psychotherapy Group, Inc. Paulson acted as a salesperson and/or broker-dealer on behalf of SBA and HSRE
 4. Elizabeth Browning (Browning) resides in Seattle, WA. Browning acted as a salesperson on behalf of SBA and HSRE.

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Related Entities

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5. Hanbleceya Seattle Treatment Center, PLLC (Hanbleceya Seattle) is a Washington professional limited liability corporation formed on August 10, 2011. The principal place of business is at 19803 First Avenue South, Normandy Park 98148. Hanbleceya Seattle is a medical business which provides psychological counseling and housing to its clients.

1 6. Hanbleceya Treatment Center, A Psychological Corporation (Hanbleceya San Diego) is a California
2 professional corporation formed on June 6, 2006. The principal place of business is at 5520 Wellesley Street, La
3 Mesa, CA, 91942. This entity is licensed in California to provide mental health treatment.

4 7. San Diego Psychotherapy Group, Inc. (SDPG) is a California corporation formed on December 28, 2004. The
5 principal place of business is at 5520 Wellesley Street, La Mesa CA, 91942. Paulson is a corporate officer of SDPG
6 and is responsible for all business operations. SDPG is the sole owner of Hanbleceya Seattle. SDPG manages
7 Hanbleceya San Diego, Hanbleceya Seattle, SBA, and HSRE.

8 Summary

9 8. Browning and Paulson raised \$835,000 from twelve investors to open Hanbleceya Seattle, a mental health
10 treatment and housing program. To raise funds for Hanbleceya Seattle, Paulson and Browning sold LLC membership
11 interests in SBA and HSRE to investors (Hanbleceya Investment).

12 9. Hanbleceya Seattle is modeled after Hanbleceya San Diego. Both Hanbleceya Seattle and Hanbleceya San
13 Diego are managed by SDPG. As a corporate officer of SDPG, Paulson is responsible for managing the non-clinical
14 functions of Hanbleceya San Diego and Hanbleceya Seattle including business operations, finances, and
15 administrative oversight of the support staff.

16 10. Hanbleceya Seattle treats and houses adults with various mental illnesses including schizophrenia, post
17 traumatic stress disorder, and bipolar disorder. Hanbleceya Seattle also provides services for those clients with
18 substance abuse issues. Hanbleceya Seattle separates the treatment and housing components. Clients attend intensive
19 psychotherapy and, when necessary, drug counseling at a treatment facility. Hanbleceya Seattle leases, rather than
20 owns, the grounds where the treatment facility is located. Clients live in private rooms in a four-bedroom single
21 family home owned by HSRE. These four-bedroom homes are located in a community near the treatment facility.

22 11. Hanbleceya Seattle officially opened its doors for business in Normandy Park, a suburb of Seattle, in the
23 beginning of 2012.

24 Background

25 12. In order to bring Hanbleceya to Seattle, Paulson created three business entities: Hanbleceya Seattle, HSRE,
and SBA. Hanbleceya Seattle is a medical business that must be owned by professionally licensed individuals. In
order to raise funds for Hanbleceya Seattle, Paulson created SBA to allow non-licensed individuals to invest. SDPG is
responsible for managing and implementing all aspects of the Hanbleceya Investment business plan (Business Plan).
SDPG manages Hanbleceya Seattle, HSRE, and SBA.

13 13. Hanbleceya Seattle is the clinical entity which operates an intensive outpatient program. All clinicians are
properly licensed to provide mental health treatment in Washington and are employed by Hanbleceya Seattle.
Hanbleceya Seattle enters into contracts with clients to perform clinical services. Hanbleceya Seattle collects fees
from clients. This fee covers the client's treatment, housing, and food. Although Hanbleceya Seattle collects all the

1 fees from clients, Hanbleceya Seattle itself does not retain the profits. After Hanbleceya Seattle pays all of its
2 overhead expenses for the month, it pays a management fee to SBA equal to all of the remaining monthly income of
3 Hanbleceya Seattle. This management fee is memorialized in a management agreement between Hanbleceya Seattle
4 and SBA.

4 14. SBA manages all the non-clinical aspects of Hanbleceya Seattle and pays all the costs associated with the
5 HSRE properties. SBA is owned by its members. SBA has two types of members: cash investors and non-cash
6 members. The cash investors paid money for his/her membership interest in SBA. SBA awarded non-cash members
7 his/her membership interest in exchange for performing future services for Hanbleceya Seattle. SBA raised funds by
8 selling LLC membership units to cash investors. The funds raised by selling SBA membership units was used for all
9 start-up costs related to Hanbleceya Seattle including funding the purchase of properties owned by HSRE. SBA is the
10 only entity that retains a profit. At the end of each month, Hanbleceya Seattle pays its overhead costs then transfers
11 the remaining funds to SBA. SBA then pays all costs associated with the HSRE properties. Any remaining funds not
12 spent on costs associated with Hanbleceya Seattle and HSRE are deemed SBA profits. SBA puts 25% of these profits
13 in reserve. SBA distributes the remaining 75% of these profits to the cash and non-cash members according to their
14 respective percentage ownership interest.

12 15. HSRE is the real estate entity that owns the single family homes rented to Hanbleceya Seattle clients. These
13 homes are located in various locations in Normandy Park nearby the Hanbleceya Seattle treatment facility. To
14 purchase each home, HSRE took out a loan with a bank. HSRE made an initial down payment of 30% on each home.
15 Although HSRE owns the homes rented to Hanbleceya Seattle clients, HSRE itself does not earn a profit. HSRE
16 leases the single family homes to SBA for an amount fixed by the mortgage plus all additional costs of operation
17 including taxes and administrative overhead costs. This arrangement is memorialized in a lease agreement between
18 HSRE and SBA. HSRE membership is made up entirely of the SBA cash investors until such a time when all of the
19 cash investors have recovered their principal investment. Once the cash investors have recovered their principal
20 investment, HSRE is redistributed to all SBA members, including non-cash members, and becomes the mirror image
21 of the SBA ownership interests.

19 Nature of the Offering

20 16. Browning became involved with the Hanbleceya Investment through her work as an advocate for mental
21 health. Her not-for-profit organization, Browning Communities, is dedicated to providing therapeutic living facilities
22 for the chronically mentally ill. Browning was impressed with Hanbleceya San Diego so, in mid-2009, Browning
23 contacted Paulson inquiring whether Paulson would consider opening a Hanbleceya facility in the Seattle area.
24 Paulson told Browning that if she was able to secure the funding, he would consider it. In 2009, Paulson estimated
25 that \$1.2 million needed to be raised to cover start-up costs for Hanbleceya Seattle. Browning took charge of raising
the funds. Paulson took charge of handling all of the business details.

1 17. On or about August 31, 2011, Paulson distributed the final Business Plan to investors. This Business Plan
2 offered cash investors 50% ownership in SBA for \$1.2 million. A minimum investment of \$100,000 would yield a
3 4.2% ownership interest in SBA. Additionally, the investment would be partially secured by an ownership interest in a
4 minimum of three four-bedroom single family houses in the Seattle area which, the Business Plan explained, would
5 reduce investor risk of loss. According to the Business Plan, the remaining 50% ownership would be awarded to
6 Hanbleceya insiders in exchange for future services in implementing and marketing Hanbleceya Seattle.

7 18. No later than September 28, 2009, Paulson provided Browning with the first draft of the Business Plan. In late
8 2009, Browning began seeking potential investors to open Hanbleceya Seattle. Browning began meeting with close
9 family and friends that she believed would be interested in investing in the Hanbleceya Investment. From late 2009
10 through 2011, Browning distributed Business Plans to less than 20 potential investors. Almost all of the cash investors
11 were derived from Browning.

12 19. On December 16, 2010, Browning sent out an email to three hundred forty-five email addresses soliciting
13 investments in the first private residential treatment center in Seattle. The recipients of this email were all members of
14 Browning Communities, a not-for-profit organization, founded by Browning, dedicated to creating more therapeutic
15 structured housing options for the severely mentally ill. In this email, Browning explained that she had already
16 secured close to \$600,000 and that she now needed help to raise the remaining \$600,000 required to reach the goal of
17 \$1.2 million. In this email, Browning asked potential cash investors to consider investing at this time or to think of
18 someone who might be interested in investing \$100,000-\$600,000. A document attached to this email explained that,
19 based on Hanbleceya San Diego's current and consistent returns, the Hanbleceya Investment is expected to net a cash-
20 on-cash return of 17.51% annualized over three years. This attachment further explains that an investment in the
21 Hanbleceya Investment will not only provide cash investors with a healthy return, but also an opportunity to expand
22 into new markets.

23 20. No later than September 25, 2010, at Browning's direction, the Browning Communities's website began
24 soliciting investments to launch a Hanbleceya facility in Seattle. Under the heading "How to Invest," Browning asked
25 potential cash investors to consider investing a minimum of \$100,000 in the Hanbleceya Investment to help her raise
the required \$1.2 million. The website stated that the Hanbleceya Investment hopes to provide returns in the 18-20%
range annualized over three years. The website also stated that the Business Plan and financial details are available
upon request. From January 10, 2011 through July 9, 2011, Browning posted three letters addressed to members,
friends, and supporters of Browning Communities to the Browning Communities's website. Each of these letters
asked potential cash investors to invest at least \$100,000 in the Hanbleceya Investment.

21 21. Browning often met with potential cash investors who showed an interest in the Hanbleceya Investment. At
22 these meetings, Browning would often provide cash investors with the most current draft of the Business Plan and
23 discuss the kind of services Hanbleceya provides for the mentally ill. Browning herself did not go over the details of
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1 the Business Plan or corporate structure with any of the cash investors. If cash investors had any specific questions
2 regarding the Hanbleceya Investment, Browning would put them in contact with Paulson.

3 22. From no later than January 24, 2011 to August 3, 2011, Browning began to email potential investors a letter
4 of intent to invest in the Hanbleceya Investment. Browning sent this intent to invest email to at least 15 potential
5 investors. In this email, Browning asked potential investors to confirm his/her commitment to invest a specific amount
6 in the Hanbleceya Investment. Further, Browning provided the potential investor with a breakdown of what his/her
7 ownership interest in both SBA and HSRE would be if he/she decided to invest. Browning also explained that Paulson
8 will handle the next steps in the Hanbleceya Investment process and she provided potential investors with Paulson's
9 contact information.

10 23. Paulson did not talk to every cash investor prior to investment. Paulson did speak with cash investors that had
11 questions or concerns regarding the Business Plan and/or the structure of the Hanbleceya Investment.

12 24. According to the Business Plan, Browning would receive a 5% non-cash membership interest for acting as a
13 marketing consultant for Hanbleceya Seattle. In at least three prior drafts of the Business Plan, Browning was not
14 given a 5% non-cash membership interest in SBA for marketing services. Rather, the prior drafts of the Business Plan
15 awarded up to 5% of non-cash membership to anyone who secured funds for the Hanbleceya Investment. Paulson has
16 stated that he originally wanted to give Browning up to 5% non-cash membership interest for raising the funds, but,
17 on the advice of counsel, he changed the Business Plan to award Browning 5% for marketing services.

18 25. On or about August 31, 2011, Paulson emailed each cash investor the SBA and HSRE Operating Agreements.
19 This email instructed cash investors to review the documents and sign the signature pages. Further, the email provided
20 instructions on how to wire funds into SBA's Washington bank account. No later than November 7, 2011, each cash
21 investor had signed the final operating agreement for SBA and HSRE. By November 7, 2011, SBA and HSRE sold
22 LLC units to fourteen cash investors, including Browning and Paulson, raising a total of \$1,015,000.

23 26. On January 30, 2012, Hanbleceya Seattle was officially opened for business in the Seattle suburb of
24 Normandy Park.

25 27. On February 11, 2012, Paulson emailed each cash investor the final draft of the SBA and HSRE operating
26 agreements. These operating agreements list the name, the investment amount, and the ownership interest of each
27 member.

28 28. In June of 2012, Paulson offered a 4% interest in SBA to current SBA cash investors. This 4% interest was
29 originally earmarked for the future services of a drug counselor at Hanbleceya Seattle, but the drug counselor left
30 Hanbleceya Seattle before his interest vested. The 4% interest was to be used to help fund a fourth residential house.
31 In or around August 2012, an SBA cash investor chose to purchase an additional 3% interest.

Registration Status

- 1 1. Seattle Business Associates, LLC is not currently registered to sell its securities in the state of Washington
2 and has not previously been so registered.
- 3 2. Hanbleceya Seattle Real Estate, LLC is not currently registered to sell its securities in the state of Washington
4 and has not previously been so registered.
- 5 3. Kerry Paulson is not currently registered as a securities broker-dealer or a securities salesperson in the State of
6 Washington and has not previously been so registered.
- 7 4. Elizabeth Browning is not currently registered as a securities broker-dealer or a securities salesperson in the
8 State of Washington and has not previously been so registered.

CONCLUSIONS OF LAW

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

- 10 1. The offer and sale of LLC membership units as described above constitute the offer and/or sale of a security
11 as defined in RCW 21.20.005(14) and (17).
- 12 2. The offer and/or sale of said securities is in violation of RCW 21.20.140, the securities registration section of
13 the Securities Act of Washington, because no registration for such an offer and/or sale is on file with the Securities
14 Administrator, state of Washington.
- 15 3. Respondent, Kerry Paulson, violated RCW 21.20.040 by offering or selling said securities while not
16 registered as a securities salesperson or broker-dealer in the state of Washington.
- 17 4. Respondent, Elizabeth Browning, violated RCW 21.20.040 by offering or selling said securities while not
18 registered as a securities salesperson or broker-dealer in the state of Washington.

CONSENT ORDER

19 Based upon the foregoing and finding it in the public interest:

20 IT IS AGREED AND ORDERED that Respondents, their agents and employees, each shall cease and desist
21 from violating RCW 21.20.140, the provision of the Securities Act of Washington making it unlawful to sell
22 unregistered securities.

23 IT IS FURTHER AGREED AND ORDERED that Kerry Paulson and Elizabeth Browning, their agents and
24 employees, each shall cease and desist from violating RCW 21.20.040, the section of the Securities Act of
25 Washington requiring registration of securities salespersons and broker-dealers.

 IT IS FURTHER AGREED AND ORDERED that Seattle Business Associates, LLC and Hanbleceya Seattle
Real Estate, LLC shall be jointly liable for and shall pay a fine in the amount of \$5,000, payment of which is deferred
until the investors in Seattle Business Associates, LLC and Hanbleceya Seattle Real Estate, LLC have been repaid in
full.

1 IT IS FURTHER AGREED AND ORDERED that Kerry Paulson shall be liable for and shall pay a fine in the
amount of \$3,500 prior to the entering of this Consent Order.

2 IT IS FURTHER AGREED AND ORDERED that Elizabeth Browning shall be liable for and shall pay a fine
3 in the amount of \$2,500 prior to the entering of this Consent Order.

4 IT IS FURTHER AGREED AND ORDERED that Seattle Business Associates, LLC and Hanbleceya Seattle
Real Estate, LLC shall be jointly liable for and shall pay investigative costs of \$2,500, payment of which is deferred
5 until the investors in Seattle Business Associates, LLC and Hanbleceya Seattle Real Estate, LLC have been repaid in
6 full.

7 IT IS FURTHER AGREED AND ORDERED that Kerry Paulson shall pay investigative costs of \$2,500 prior
to the entering of this Consent Order.

8 IT IS FURTHER AGREED AND ORDERED that Elizabeth Browning shall pay investigative costs of \$2,500
9 prior to the entering of this Consent Order.

10 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

11 IT IS FURTHER AGREED that Respondents enter into this Consent Order freely and voluntarily and with a
full understanding of its terms and significance.

12 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents waive their right to a hearing
and to judicial review of this matter pursuant to RCW 21.20.440 and Chapter 34.05 RCW.

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15 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

16 Signed this ___26th___ day of ___June_____ 2013.

17 Signed by:
18 Seattle Business Associates, LLC

19 By ___/s/ Kerry Paulson_____
20 Kerry Paulson as CEO of
San Diego Psychotherapy Group, Inc.

21 Signed by:
22 Hanbleceya Seattle Real Estate, LLC

23 By ___/s/ Kerry Paulson_____
24 Kerry Paulson as CEO of
San Diego Psychotherapy Group, Inc.

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Signed by:

_____/s/ Kerry Paulson_____
Kerry Paulson, Individually

Approved as to Form by:

_____/s/ Mark Beatty_____
Mark Beatty, Attorney for Kerry Paulson
WSBA No. 10581

Signed by:

_____/s/ Elizabeth Browning_____
Elizabeth Browning, Individually

Approved as to Form by:

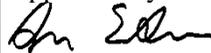
_____/s/ Dean Little_____
Dean Little, Attorney for Elizabeth Browning
WSBA No. 1269

SIGNED and ENTERED this 2nd day of July 2013.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Brian J. Guerard
Financial Legal Examiner

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Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor