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

IN THE MATTER OF DETERMINING  
Whether there has been a violation  
of the Securities Act of Washington by Preferred  
Funding, Inc., et al.:

DONALD W. BELL,  
Respondent

Order Number S-02-384-05-CO02

CONSENT ORDER AND ORDER VACATING  
S-02-384-03-TO02 AS TO DONALD W. BELL

**INTRODUCTION**

On May 19, 2003, the Securities Division of the Department of Financial Institution (“Securities Division”) entered a Summary Order to Cease and Desist and Notice of Intent to Impose Fines (“Summary Order”), Order #S-02-384-03-TO02, against Michael S. Kaminski and Donald W. Bell. The Summary Order is hereby vacated as to Donald W. Bell.

Pursuant to the Securities Act of Washington, ch. 21.20 RCW, the Securities Division and Respondent, Donald W. Bell, does hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law stated below. Respondent acknowledges the Securities Division’s jurisdiction over this matter and its authority to enter this order.

**FINDINGS OF FACT**

**I. RESPONDENT**

During 2001 and 2002, Respondent, Donald W. Bell (“Bell”), was vice president of Preferred Funding, Inc., a Washington corporation that was formerly a registered securities mortgage broker-dealer under ch. 21.20 RCW that offered and sold mortgage paper securities as defined in WAC 460-33A-015.

1 From March 1968 until June 1994, Bell was licensed by the Washington State Board of Accountancy as a  
2 Certified Public Accountant.

3 **II. PRIOR ADMINISTRATIVE ORDER AGAINST PREFERRED FUNDING, INC.**

4 On December 10, 2002, the Securities Administrator of the State of Washington entered S-02-384-  
5 02-TO01, a Stop Order Suspending Effectiveness, Denying Re-Registration and Order Revoking  
6 Exemptions (“Stop Order”), against Preferred Funding, Inc. (“Preferred”). The Stop Order suspended the  
7 securities registration of Preferred and revoked the availability of exemptions under RCW 21.20.320(1), (5),  
8 (9), (11) and (17) to Preferred and its agents or affiliates. The Tentative Findings of Fact set forth in the  
9 Stop Order are hereby incorporated as background information for this order.  
10

11 **III. MISREPRESENTATIONS ABOUT PROJECT HOLDBACKS**

12 During 2001 and 2002, when offering and selling notes secured by deeds of trust, Preferred  
13 Funding, Inc. and its agents, including Bell, represented to more than two hundred investors in four  
14 different loans (the Cliffs, Lake Oswego, Union View and Vista del Mar projects) that funds totaling  
15 approximately \$900,000 would be held back for interest reserves or used to pay construction costs.  
16

17 Bell was a signer for the bank accounts where the investors’ funds were deposited. Preferred  
18 Funding, Inc. and Bell each failed to maintain the proper reserves and failed to properly administer the  
19 loans. Because the holdback funds were not applied to the loans for which they were held back, the  
20 investors were required to make additional contributions to replace the missing funds.

21 Based upon the Findings of Fact, the following Conclusions of Law are made:  
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1 **CONCLUSIONS OF LAW**

2 I.

3 The offer and sale of the notes described in the Findings of Fact constitutes the offer or sale of a  
4 security as defined in RCW 21.20.005(10) and (12).

5 II.

6 Respondent, Donald W. Bell, made or caused to be made, offers and sales of securities in violation  
7 of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

8 **CONSENT ORDER**

9 Based upon the foregoing:

10 IT IS AGREED AND ORDERED that Respondent, Donald W. Bell, and his agents and employees  
11 each shall cease and desist from offering or selling securities in violation of RCW 21.20.010, the anti-  
12 fraud section of the Securities Act of Washington.

13 IT IS FURTHER AGREED AND ORDERED that Respondent, Donald W. Bell, shall be subject to  
14 a fine of \$10,000 for violation of the Securities Act of Washington. The collection of the fine shall be  
15 suspended, based upon Respondent's future compliance with the Securities Act of Washington.  
16 However, if Respondent violates the Securities Act of Washington after the entry of this order, the  
17 Washington Securities Division shall proceed to enforce this Order pursuant to RCW 21.20.395 and to  
18 collect the fine.

19 IT IS FURTHER AGREED that Respondent, Donald W. Bell, shall not be licensed again as a  
20 securities salesperson in the State of Washington until at least January 1, 2008.

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

1 IT IS FURTHER AGREED that in consideration of the foregoing, Respondent, Donald W. Bell,  
2 hereby waives his rights to a hearing in this matter and to judicial review of this order and the Securities  
3 Division hereby vacates the Summary Order to Cease and Desist and Notice of Intent to Impose Fines,  
4 Order #S-02-384-03-TO02, as to Donald W. Bell.

5 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

6 SIGNED this 11th day of January, 2006

7 Signed by:

8  
9 /s/ Donald W. Bell

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13 SIGNED and ENTERED this 13th day of January, 2006

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

20 Approved by:

21 

22 \_\_\_\_\_  
23 Martin Cordell  
24 Chief of Enforcement

20 Presented by:

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22 \_\_\_\_\_  
23 Janet So  
24 Financial Legal Examiner