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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 the State
of Washington by:

Northwest Financial Solutions; Ricardo Phillips
(also known as Stone Phillips and other names),
Respondents

Order Number S-05-011-05-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
TO CEASE AND DESIST

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THE STATE OF WASHINGTON TO: Northwest Financial Solutions
Ricardo Phillips

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On February 2, 2005, the Securities Administrator of the State of Washington issued Summary Order to Cease and Desist and Notice of Intent to Impose Fines and Recover Costs S-05-011-05-TO01 hereinafter referred to as "Summary Order".

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The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as "Notice of Opportunity for Hearing" and an Application for Adjudicative Hearing, hereinafter referred to as "Application for Hearing", were served on Northwest Financial Solutions and Ricardo Phillips on March 17, 2005. The Notice of Opportunity for Hearing advised Northwest Financial Solutions and Ricardo Phillips that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. Northwest Financial Solutions and Ricardo Phillips failed to request an administrative hearing within twenty days of receipt of the

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ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
OF LAW AND FINAL ORDER TO CEASE AND
DESIST

1 Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or
2 otherwise.

3 The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as
4 set forth in the Statement of Charges.

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6 The Securities Administrator makes the following findings of fact and conclusions of law:

7 **FINDINGS OF FACT**

8 *Respondents*

9 1. Northwest Financial Solutions, also known as Northwest Financial Solutions, Inc.,
10 (“NWFS”) is a Washington business entity with its principal place of business in Seattle. The Secretary of
11 State has no record that NWFS has incorporated in Washington or that it has applied for a certificate of
12 authority to do business in Washington as a foreign corporation. NWFS provides a variety of financial
13 planning services including presenting seminars through its Stone Phillips III Foundation.

14 2. Ricardo M. Phillips; also known as Martinas R. Phillips, Ricardo M. Phillips, Ricardo M. Phillips
15 III, Ricardo M. Phillips 3, Richard M. Phillips III, Rilanto M. Phillips, Stone Phillips, Stone M. Phillips 3,
16 Stone M. Phillips III, Stone R. Phillips III, Phillips Ricardo, Rico Gillis, Stone P. Phillips III, Phillips Stone
17 III, Phillips Stone, and Silas Phillips; (“Phillips”) is the owner of NWFS. Phillips is believed to reside in
18 Arizona. NWFS and Phillips solicit customers for financing and investment transactions through
19 advertising in church publications, through financial seminars Phillips presents at churches, and through the
20 websites stonephillips3rd.com and www.loans-credit-investments.com.

Description of the Offering

Investors A & B

3. At a church function in Federal Way, a married couple residing in Grays Harbor County, Washington (“Investors A & B”) picked up a brochure containing an advertisement for Phillips.

4. Throughout the next year Investors A & B became increasingly concerned about their long range plan for retirement. They invested in real estate but had no other investing experience. Phillips’ advertisement seemed to offer the services they needed. Thus, in May 2003 Investors A & B called Phillips to discuss their situation.

5. Investors A & B’s first meeting with Phillips was at Phillips’ home in Federal Way near the Twin Lakes Golf Course and Country Club. After Investors A & B explained their financial situation, Phillips offered to refinance one of their rental homes and find a renter for it. Phillips also told Investors A & B that if they invested with him, he could get them a 10% rate of return on average. When Investors A & B asked Phillips how the investment worked Phillips said that he could guarantee the rate of return because he would pool their investment with his own money. Also, since he was pooling their money he would not charge them an investment fee.

6. Investors A & B met with Phillips numerous times over the coming months. Phillips arranged for Investors A & B to refinance their home through a bank contact he had met at a church. Phillips assisted Investors A & B with the necessary paperwork. When the refinancing was completed in August 2003, Investors A & B took \$60,000 of equity out of the house.

7. Investors A & B needed a computer for their business but were not knowledgeable about computers. Phillips told Investors A & B that he could purchase a computer and set it up for them.

1 8. On September 12, 2003, Investors A & B gave Phillips \$41,000, \$40,000 was for him to invest
2 and \$1,000 was for a computer. Investors A & B did not receive a transaction confirmation, a new account
3 statement, a prospectus, financial information, or any other documentation evidencing their investment.

4 9. Investors A & B orally agreed that Phillips would invest their money as Phillips thought
5 appropriate.

6 10. Investors A & B did not receive any information about the funds their money was invested in
7 other than two account statements dated May 1, 2003- September 30, 2003 and October 1, 2003-December
8 31, 2003. The statements showed that their investment was divided among eight investment funds: the
9 Investment Money Fund, the Tax Lien Short Maturity Fund, the Tax Lien Longer Maturity Fund, the
10 Foreclosure Investments Fund, the Property Development Investments Fund, the Global Investment Fund,
11 the Small Co. Investment Fund, and the International Investment Fund. Until they received these
12 statements, Investors A & B had not known what their money was invested in.

13 11. In October 2003, Phillips arranged for a renter to move into the property he helped refinance.
14 Investors A & B never received a copy of the rental agreement.

15 12. The renter paid rent to Phillips in cash. Phillips subtracted a \$100 transaction fee and forwarded
16 the payment to Investors A & B each month. In July or August 2004, Phillips stopped forwarding the
17 rental payments without notice.

18 13. In late November or early December 2004 Investors A & B sent a letter to Phillips requesting
19 return of their investment. Investors A & B have not heard from Phillips nor have they received any of
20 their money back.

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Investor C

14. In May 2002, a Washington resident residing in Pierce County (“Investor C”) attended a financial seminar at his church in Tacoma presented by Phillips.

15. Investor C met with Phillips and told him that the majority of his assets were tied up in a retirement account and he did not have the liquid assets required by his lender to purchase a home. Phillips told Investor C that Investor C could transfer a portion of his retirement account into an investment account at NWFS without penalty for early withdrawal.

16. Phillips told Investor C that if Investor C financed the home through him he would beat the interest rate offered by the lender.

17. In reliance on Phillips’ representations, Investor C transferred \$15,264.54 of his retirement account to an account at NWFS via Phillips.

18. Phillips arranged for a lender to finance Investor C’s home.

19. In early August of 2002, Investor C requested that Phillips transfer all of his funds to Investor C’s bank account to pay for closing costs. To Investor C’s surprise, Phillips only returned \$10,000, not \$15,264.54 as Investor C had expected.

20. The lender advised Investor C that without the additional \$5,264.54 in his bank account, his loan might be declined. Investor C requested that Phillips return the rest of the money. Phillips gave Investor C a cashier’s check for the \$5,264.54 and had Investor C give him a check for the same amount. Investor C believed Phillips would hold the money in an investment account for him.

21. Investor C requested withdrawal of his money on at least three separate occasions. Phillips told Investor C that he would not return the funds because Phillips had spent the money on Investor C’s behalf to get his loan approved. To date, no funds have been returned to Investor C.

Investor D

22. In fall 2002, a pastor at a Seattle church announced to his congregation that Phillips had offered to hold a free financial seminar at the church and to donate \$25 for each member of the congregation that attended. Phillips conducted the seminar. At the seminar, Phillips made several references to his Christian faith and said that his financial knowledge was a gift from God.

23. A Washington resident residing in King County (“Investor D”) attended the seminar led by Phillips. Investor D had received a lump sum settlement from her divorce and had invested it in an annuity at Conseco. She had no other investment experience and was not knowledgeable about investments.

24. After the seminar, Investor D telephoned Phillips to discuss her retirement accounts. Phillips advised Investor D that Conseco was having financial difficulties and Investor D needed to get her money out now before she lost it all. Phillips told Investor D that his clients received as high as a 25% return. Phillips told Investor D that the investment that he was offering was in real estate and was therefore a safe investment.

25. Phillips did not talk about the risk involved when investing in the funds but Phillips did advised Investor D that real estate was a good investment because “nothing goes wrong in real estate”.

26. Phillips persuaded Investor D to refinance her house twice in nine months first in January 2003 and again in August 2003. Phillips arranged the refinancing and took care of all the paperwork.

27. In March 2003, in reliance on Phillips’ claims and her fears Conseco’s financial difficulties would cause her to lose her investment, Investor D transferred her entire Conseco retirement account of approximately \$112,000 into the REI Fund II at NWFS. Investor D incurred a surrender penalty of \$13,529.59 for the transfer. It was Investor D’s understanding that her money was placed in a real estate fund. Investor D did not receive a transaction confirmation, a new account statement, prospectus, financial

1 information, or any other document evidencing their investment. Phillips represented that Bank of America
2 Acceptance would act as custodian for the funds.

3 28. Investor D received monthly account statements for four months. Although Investor D thought
4 that she had invested in a real estate fund, the statements showed her investment divided among an
5 Investment Money Fund, a Tax Lien Short Maturity Fund, a Tax Lien Longer Maturity Fund, a Foreclosure
6 Investment Fund, a Property Development Investments Fund, a Global Investment Fund, a Small Co.
7 Investment Fund, and an International Investment Fund. The last statement she received was in July 2004.
8 Investor D did not have contact with Phillips or NWFS for several months.

9 29. On January 6, 2005, Investor D telephoned Phillips to request withdrawal of her investment. To
10 her surprise, the telephone number was disconnected. Investor D was able to locate a telephone number for
11 an answering service for NWFS. Investor D left several messages for Phillips. Phillips never returned
12 Investor D's calls.

13 30. Investor D obtained an address for NWFS in downtown Seattle and drove there to find Phillips.
14 When she arrived she discovered that there was no record that Phillips or NWFS had an office at that
15 location.

16 31. Investor D has not been able to locate Phillips or NWFS.

17 32. No money has been returned to Investor D.

18 *Registration Status*

19 33. Northwest Financial Solutions is not licensed to sell in the State of Washington as a broker-dealer
20 and has not previously been so registered.

1 34. Ricardo Phillips is not licensed as a securities salesperson or broker-dealer in the State of
2 Washington and has not previously been so registered. In addition, no such registration exists under the
3 names Martinas R. Phillips, Ricardo M. Phillips, Ricardo M. Phillips III, Ricardo M. Phillips 3, Richard M.
4 Phillips III, Rilanto M. Phillips, Stone Phillips, Stone M. Phillips 3, Stone M. Phillips III, Stone R. Phillips
5 III, Phillips Ricardo, Rico Gillis, Stone P. Phillips III, Phillips Stone III, Phillips Stone, and Silas Phillips.

6 35. NWFS and its funds, the REI II Fund, the Investment Money Fund, the Tax Lien Short Maturity
7 Fund, the Tax Lien Longer Maturity Fund, the Foreclosure Investments Fund, the Property Development
8 Investments Fund, the Global Investment Fund, the Small Co. Investment Fund, and the International
9 Investment Fund are not registered to sell their securities in the State of Washington and have not
10 previously been so registered.

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

13 **CONCLUSIONS OF LAW**

14 36. The offer and sale of the NWFS REI Fund, the Investment Money Fund, the Tax Lien Short
15 Maturity Fund, the Tax Lien Longer Maturity Fund, the Foreclosure Investments Fund, the Property
16 Development Investments Fund, the Global Investment Fund, the Small Co. Investment Fund, the
17 International Investment Fund, and the investment accounts described above constitute the offer or sale of
18 a security as defined in RCW 21.20.005 (10) and (12).

19 37. As described above, Respondent, Northwest Financial Solutions, acted as a broker-dealer as
20 defined in RCW 21.20.005 (3).

21 38. As described above, Respondent, Ricardo Phillips, acted as a securities salesperson or broker-
22 dealer as defined in RCW 21.20.005 (2) and (3).

1 39. Respondent, Ricardo Phillips, has violated RCW 21.20.040 by offering and/or selling said
2 securities while not registered as a broker-dealer or securities salesperson in the State of Washington.

3 40. Respondents, Northwest Financial Services and Ricardo Phillips, have each violated RCW
4 21.20.140 by offering and/or selling an unregistered security.

5 41. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as set
6 forth above, Northwest Financial Solutions and Ricardo Phillips, in connection with the offer and sale of a
7 security, made untrue statements of material fact or omitted to state material facts necessary in order to
8 make the statements made, in light of the circumstances under which they were made, not misleading.

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10 **FINAL ORDER**

11 Based on the foregoing,

12 It is hereby ORDERED that the Respondents, Northwest Financial Solutions and Ricardo
13 Phillips, their agents, and employees each cease and desist from offering and/or selling securities in
14 any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring
15 registration.

16 It is further ORDERED that Northwest Financial Solutions and Ricardo Phillips, their agents, and
17 employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the
18 Securities Act.

19 It is further ORDERED that Northwest Financial Solutions and Ricardo Phillips, their agents, and
20 employees each cease and desist from violation of RCW 21.20.040, the broker-dealer and securities
21 salesperson registration section of the Securities Act.

1 It is further ORDERED that Northwest Financial Solutions and Ricardo Phillips shall pay a (1) a
2 fine of \$10,000 and (2) the costs, fees, and other expenses incurred in the conduct of investigating this
3 matter in the amount of \$10,000. Such payment shall be (a) made by United States postal money
4 order, certified check, bank cashier's check, or bank money order; (b) made payable to the
5 Washington State Treasurer; (c) delivered by certified mail to Michael Stevenson, Securities
6 Administrator, Department of Financial Institutions, PO Box 9033, Olympia, WA 98507; and (d)
7 submitted with a cover letter that identifies Northwest Financial Solutions and Ricardo Phillips as
8 Respondents under these proceedings and the Order and case number of these proceedings.

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1 **AUTHORITY AND PROCEDURE**

2 This Final Order is entered pursuant to the provisions of RCW 21.20.390 and 21.20.395, and is
3 subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to
4 petition the superior court for judicial review of this agency action under the provisions of chapter 34.05
5 RCW. For the provisions for filing a Petition for Judicial Review, see RCW 34.050.510 and sections
6 following. Pursuant to 21.20.395, a certified copy of this order may be filed in Superior Court. If so
7 filed, the clerk shall treat the order in the same manner as a Superior Court judgment as to the fine,
8 and the fine may be recorded, enforced, or satisfied in like manner.

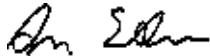
9 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

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11 DATED and ENTERED this 25th day of October, 2005.

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14 _____
15 MICHAEL E. STEVENSON
16 Securities Administrator

17 Approved by:

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20 Suzanne Sarason
21 Chief of Compliance

Presented by:

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20 Kristen Culbert
21 Financial Legal Examiner

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23 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
24 OF LAW AND FINAL ORDER TO CEASE AND
25 DESIST