

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-05-136-06-SC01
Whether there has been a violation of the)
Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
) OF INTENT TO ENTER ORDER TO CEASE
Northwest Financial Group; Timothy) AND DESIST, DENY REGISTRATION,
Morris;) AND TO IMPOSE FINES AND COSTS
)
Respondents)

THE STATE OF WASHINGTON TO: Northwest Financial Group
Timothy Morris

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Northwest Financial Group and Timothy Morris, have violated the Securities Act of Washington and that the violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Northwest Financial Group, also known as NW Financial Group, (“NWFG”) is a sole proprietorship with its principal place of business in King County, Washington. NWFG engages in real estate investing.
2. Timothy Morris (“Morris”) owns NWFG. Morris resides in King County, Washington.

Description of the Conduct

3. In 2002, a disabled King County resident (“Investor A”) told Morris that he wanted to retire. Investor A told Morris he was looking for an investment that would provide a return large enough to cover his mortgage payment.

4. Investor A’s mortgage payment was about \$1,200 per month.

5. Morris told Investor A that if he invested his money with Morris and NWFG, Morris would pay him \$1,100 per month interest for the use of the money. Morris told Investor A that at the end of the year, Morris would repay the \$150,000 investment. Morris told Investor A the contract was renewable for an additional year.

6. Morris told Investor A that his money would be invested in promissory notes secured by residential real estate.

7. Investor A gave Morris \$150,000 to invest.

8. Morris did not provide Investor A with any financial statements, prospectus, or other documents evidencing the investment.

9. Morris provided Investor A with a monthly “Investor Payout Accounting” which listed loan numbers, names, addresses, and loan origination dates. The Investor Payout Accounting purportedly accounted for how Investor A’s funds were being used.

10. Morris had fabricated the Investor Payout to appease Investor A and it did not represent how Investor A’s money had been used.

11. Morris used Investor A’s funds for personal projects including helping a friend get his property out of foreclosure and purchasing helicopter parts. Investor A did not receive any benefit from Morris’s use of the funds.

1 12. Morris paid Investor A monthly payments of \$1,100 in cash. However, it is unclear
2 whether he made a payment each and every month.

3 13. At the end of the year, Investor A did not ask for his money back. The arrangement
4 continued until 2004.

5 14. In November 2004, Investor A asked Morris for his \$150,000 investment back.

6 15. Morris told Investor A that the investment was tied up and Morris could not give Investor
7 A his money back.

8 16. In March 2005, Morris gave Investor A a promissory note payable on November 15,
9 2005.

10 17. Morris failed to pay Investor A when the promissory note came due in November 2005.

11 18. Morris declared bankruptcy.

12 19. Investor A has not received a monthly interest payment on his original investment since
13 2004 or repayment of the original investment.

14 15 **MISREPRESENTATIONS AND OMISSIONS**

16 1. Respondents failed to disclose material information to Investor A about the investment
17 agreement and the real estate notes described above including, but not limited to, the use of the
18 investment money, Respondents' ability to pay the investment back, the investment risks, the
19 financial statements, or other prospectus information.

20 2. The statements made in the Investor Payout Summary provided by Respondents to
21 Investor A were misleading because Investor A's funds were not invested as represented. Morris
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23

1 used Investor A's funds for personal projects including helping a friend get his house out of
2 foreclosure and purchasing helicopter parts.

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4 **REGISTRATION STATUS**

5 1. Neither the investment agreement nor the real estate notes described above are registered
6 as securities in the State of Washington and have not previously been so registered.

7 2. Timothy Morris is not registered as a securities salesperson, broker-dealer, or investment
8 adviser in the State of Washington and has not previously been so registered.

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10 **CONCLUSIONS OF LAW**

11 1. The investment agreement and/or the real estate notes described above are securities as
12 defining in RCW 21.20.005(12).

13 2. The offer or sale of the investment agreement and/or the real estate notes described above
14 constitutes the offer or sale of a security as defined in RCW 21.20.005(10).

15 3. Respondents, Timothy Morris and Northwest Financial Group, have violated RCW
16 21.20.140 by offering or selling an unregistered security.

17 4. The offer and/or sale of said securities was made in violation of RCW 21.20.010 because,
18 as set forth above, Respondents, Timothy Morris and Northwest Financial Group, in connection
19 with the offer and sale of a security, made untrue statements of material fact or omitted to state
20 material facts necessary in order to make the statements made, in light of the circumstances
21 under which they were made, not misleading.

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2 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

3 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities
4 Administrator intend to order that Timothy Morris, Northwest Financial Group, their agents and
5 employees each cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW
6 21.20.140.

7 **NOTICE OF INTENT TO DENY REGISTRATION**

8 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact
9 and Conclusions of Law, the Securities Administrator intends to order that Respondent,
10 Timothy Morris, shall be denied registration as a securities salesperson, broker-dealer,
11 investment adviser, or investment adviser representative in the State of Washington for a period
12 of ten (10) years.

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14 **NOTICE OF INTENT TO IMPOSE FINES AND COSTS**


15 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the Tentative
16 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that
17 Respondents, Timothy Morris and Northwest Financial Group, shall be liable for and pay the
18 Securities Division (1) a fine of \$10,000 and (2) the costs, fees, and other expenses incurred in
19 the conduct of investigating this matter in an amount not less than \$2,000. The fine will be
20 reduced by any amounts paid by Respondents to Investor A.

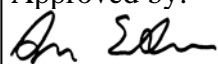
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2 **AUTHORITY AND PROCEDURE**

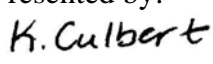
3 This Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist,
4 Deny Registration, and Impose Fines and Costs is entered pursuant to the provisions of RCW
5 21.20.390, RCW 21.20.395, and RCW 21.20.110 and is subject to the provisions of RCW 34.05,
6 RCW 21.20.395, and RCW 21.20.120. The Respondents, Timothy Morris and Northwest
7 Financial Group, may each make a written request for a hearing as set forth in the NOTICE OF
8 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
9 order.

10 If a respondent does not request a hearing, the Securities Administrator intends to adopt
11 the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease
12 and desist permanent as to that respondent and impose the fines, costs, and other relief sought in
13 this order.

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15 Dated and Entered this 15th day of March, 2006.

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18 MICHAEL E. STEVENSON
19 Securities Administrator

20 Approved by:

21 Suzanne Sarason
22 Chief of Compliance

20 Presented by:

21 Kristen Culbert
22 Financial Legal Examiner