

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order Number S-05-225-06-TO01
5 whether there has been a violation of the)
6 Securities Act of Washington by:) SUMMARY ORDER TO CEASE AND
7) DESIST AND NOTICE OF INTENT TO
8) IMPOSE FINES AND CHARGE COSTS
9 David A. Ball dba Beacon Development)
10 Group, Inc., and David A. Ball;)
11)
12 Respondents)
13)

14 THE STATE OF WASHINGTON TO: David A. Ball, individually
15 David A. Ball dba Beacon Development
16 Group, Inc.

17 **STATEMENT OF CHARGES**

18 Please take notice that the Securities Administrator of the State of Washington has reason
19 to believe that Respondents, David A. Ball and Beacon Development Group, Inc., have each
20 violated the Securities Act of Washington and that their violations justify the entry of an order
21 of the Securities Administrator under RCW 21.20.390 against each to cease and desist from
22 such violations. The Securities Administrator finds that delay in ordering the Respondents to
23 cease and desist from such violations would be hazardous to the investors and to the public and
24 that a Summary Order to Cease and Desist should be entered immediately. The Securities
Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

RESPONDENTS

1. David A. Ball dba Beacon Development Group, Inc. ("Beacon Development"), a real estate
development company, is an entity with its principal place of business in The Dalles, Oregon.

SUMMARY ORDER TO CEASE AND DESIST AND 1
NOTICE OF INTENT TO IMPOSE FINES AND
CHARGE COSTS

DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

1 Beacon Development was never incorporated and all business performed under the name
2 Beacon Development was by and/or on behalf of David A. Ball.

3 2. David A. Ball (“Ball”) is the sole-proprietor of Beacon Development and holds himself out
4 as the President of Beacon Development.

5 NATURE OF THE OFFERING

6 3. Ball and/or Ball dba Beacon Development purchased real estate in Washington and Oregon
7 for development and resale. Ball’s intended development of the real estate included
8 construction, remodeling, and/or landscaping prior to the resale. All property was held in Ball’s
9 name or jointly held with his wife. Certain properties purchased by Ball have been deeded to
10 his wife as her personal property to be held as her separate estate.

11 4. Ball approached at least five Washington residents about entering into Investor Agreements
12 with Beacon Development related to real estate development.

13 5. In the two page promotional materials included with investor agreements, Ball told investors
14 that he would identify real estate investment opportunities, acquire real estate, develop the real
15 estate, provide security and guarantee, as well as obtain, financing. Additionally, Ball
16 represented that he would pay monthly carrying costs, pay marketing costs to sell, lease, or rent
17 property, pay closing costs to buy and sell real estate, and pay investors earned interest
18 payments.

19 6. All investments were allegedly to be secured by real property, however, only a portion of
20 one investor’s investment has been recorded.

21 INVESTORS A AND B

22 7. In February or March, 2004, Ball met Washington residents Investors A and B when they
23 refinanced their personal residence through a mortgage broker that Ball worked with.

1 8. Ball told Investors A and B of past real property he had purchased, developed, and sold for a
2 profit. Investors A and B drove by the profitable properties and viewed the success of those
3 transactions as an indicator of the future success for Beacon Development.

4 9. On March 23, 2004, Investors A and B signed a letter of intent that proposed they invest
5 \$45,000 for one year with Ball. Investors A and B were given two payment options. First, they
6 could receive a monthly return of 4% (\$1,800 monthly payments), for a total return of 48%.
7 Second, they could receive a lump sum payment of \$32,400 plus the original \$45,000 principal
8 at the end of one year for a total return of 72%.

9 10. On April 15, 2004, Investors A and B chose the second payment option and entered into a
10 Beacon Development Group Investor Agreement with Ball as the President for a \$45,000
11 investment that would pay \$32,400 in interest at the end of one year, and return the original
12 principal of \$45,000, for a total return of 72%.

13 11. Investors A and B received a loan at 5% annual interest from Investor A's 401k retirement
14 plan and provided Ball with \$45,000 cash.

15 12. Ball deposited the \$45,000 into his personal bank account from which Ball made personal
16 and business purchases.

17 13. On April 21, 2005, Investors A and B entered into a new Beacon Development Investor
18 Agreement that paid \$2,800 in monthly interest (4% per month) for one year on a \$70,000
19 investment, which was a combination of their earlier \$45,000 investment plus \$25,000 of the
20 interest purportedly earned in the first year of the \$45,000 investment. The investment
21 agreement included an option to reinvest for an additional year at 4% interest per month.

22 14. The investment agreement also stated that the investment would be secured, however,
23 Investor A's and B's interest has not been recorded.

1 15. Ball made monthly payments to Investors A and B until September, 2005, when he made
2 only a partial payment. Investors A and B did not exercise the option to “reinvest” in April,
3 2006. Investors A and B did not receive payment of their principal or interest upon maturity in
4 April, 2006.

5 INVESTOR C

6 16. Ball met Investor C, a Washington resident, sometime in 2003 through a realtor who was
7 representing Investor C in the sale of one of Investor C’s properties.

8 17. Investor C sold several properties to Ball in 2003 and 2004. Ball agreed to pay Investor C’s
9 full asking price on each property. A portion of the proceeds from each sale, usually the equity
10 in each property, was retained by Investor C as a seller carry-back. Ball then took full
11 ownership of each property, and paid off Investor C’s mortgage with a new loan on each
12 property. Investor C would then allow Ball’s lender to have the first position secured interest on
13 the respective piece of property. Ball explained to Investor C that his seller carry-back would
14 take a second position to Ball’s lender’s position on the property. However, only two of
15 Investor C’s seller carry-backs were recorded. A Deed of Trust for \$25,800 and a Deed of Trust
16 for \$128,000 were recorded with Investor C listed as the beneficiary. Ball explained that
17 additional security for investment beyond the \$153,800 (\$25,800 and \$128,000 combined) was
18 the excess value beyond the existing encumbrances on all of the property that Ball owns.

19 18. On February 3, 2005, Investor C entered into a Beacon Development Group Investor
20 Agreement with Ball, which listed him as the President that consolidated Investor C’s total
21 investments of \$680,000. In the investor agreement, the \$680,000 was attributed as
22 compensation for six pieces of real estate that Ball had purchased for development. The
23

1 investment agreement stated that Investor C would be paid \$17,000 monthly interest on the
2 \$680,000 for two years, at which time the principal would be paid back.

3 19. Investor C later agreed to add missed monthly interest payments to the principal of his
4 investment.

5 INVESTOR D

6 20. Investor C introduced Ball to Investor D, a Washington resident and Investor C's son.

7 21. Investor D made a \$70,000 investment in Beacon Development and entered into a Beacon
8 Development Group Investor Agreement with Ball dated July 21, 2004. A portion of the
9 \$70,000 was a credit from the sale of Investor D's house to Ball and the remaining amount was
10 a cash investment given to Ball by Investor D. The Investor Agreement stated that Beacon
11 Development would pay \$1,750 per month in interest for two years. Investor D remained in the
12 house and paid \$450 in monthly rent to Ball. The rent was credited toward the monthly interest
13 payments, so monthly payments of approximately \$1,300 in interest were initially made to
14 Investor D. The monthly payments to Investor D stopped after six or seven months.

15 22. The investment agreement also stated that the investment would be secured, however,
16 Investor D's interest has not been recorded.

17 INVESTOR E

18 23. Investor C introduced Ball to Investor E, a Washington resident and Investor C's ex-wife.

19 24. Investor E sold real estate for approximately \$380,000 to Ball that included a house.

20 Investor E then invested \$280,000 in the form of a cashier's check and entered into a Beacon
21 Development Group Investment Agreement dated August 12, 2004 for \$280,000 that paid
22 \$7,000 in interest a month for one year.

1 25. Ball financed 100% of the purchase through a bank because he planned to make this house
2 his personal residence. Ball planned to use the \$280,000 to improve Investor E's house and to
3 subdivide the acre into lots for building additional homes to be sold later. Ball received an
4 appraisal on Investor E's house which stated that with the improvements he planned, the home
5 would be worth between \$860,000 and \$960,000.

6 26. Ball made monthly interest payments to Investor E for about 6 months and then stopped.

7 27. At maturity, Investor E chose to not get the \$280,000 principal and instead requested that
8 monthly payments be made. Ball has made sporadic monthly payments, but never made the full
9 \$7,000 monthly interest payment that he agreed to.

10 28. The investment agreement also stated that the investment would be secured, however,
11 Investor A's and B's interest have not been recorded.

12 INVESTOR F

13 29. Investor F, a Washington resident, was introduced to Ball by Investor C.

14 30. Ball purchased real estate for \$285,000 from Investor F. Investor F invested \$231,000 of the
15 purchase price in Beacon Development in the form of a cashier's check. Investor F also entered
16 into a second mortgage with Ball, a seller carry-back, of \$22,500. Investor F entered into a
17 Beacon Development Group Investor Agreement that combined the \$231,000 investment and
18 the \$22,500 seller carry-back for a total investment of \$253,500. The investment agreement
19 states that interest of \$2,112.50 is to be paid monthly for three years on the \$231,000
20 investment. Investor F remained in the house on the property and agreed to rent it from Ball for
21 \$221.51 per month. Investor F did not pay rent to Ball, and the unpaid rent was treated as a
22 monthly offset on the \$221.50 monthly interest payments Ball owed Investor F on the \$22,500
23 seller carry-back.

1 31. In addition to the investment agreement with Investor F, Investor F and Ball entered into a
2 “land contract,” in which Investor F will allegedly deed each of five lots as monthly payments
3 are made by Ball. Because of the terms of the land contract, Ball continues to make monthly
4 payments to Investor F in order to avoid forfeiture of the transaction.

5 MISREPRESENTATIONS AND OMISSIONS

6 32. Ball failed to provide Washington investors with material information regarding the
7 investment opportunities, including but not limited to: financial statements, the use of proceeds,
8 and his business background.

9 33. Ball told investors he would incorporate Beacon Development. However, Ball failed to
10 incorporate Beacon Development as he represented. Ball also held himself out as the president
11 of Beacon Development, even though it had not been incorporated.

12 34. Ball failed to disclose to Washington investors the material risks involved with the
13 investment opportunity, including but not limited to his determination to subordinate interest
14 payments to nearly all other costs of the real estate development projects.

15 REGISTRATION STATUS

16 35. Beacon Development is not currently registered to sell its securities in the State of
17 Washington and has not previously been so registered.

18 36. David Ball is not currently registered as a securities salesperson or broker-dealer in the State
19 of Washington and has not previously been so registered.

20
21 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:
22
23

1 **CONCLUSIONS OF LAW**

2 1. The offer or sale of the investment opportunities described above constitute the offer or
3 sale of a security as defined in RCW 21.20.005(10) and (12).

4 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no registration
5 for such offer or sale is on file with the Securities Administrator.

6 3. David A. Ball has violated RCW 21.20.040 by offering or selling said securities while not
7 registered as a securities salesperson or broker-dealer in the state of Washington.

8 4. The offer or sale of said securities was made in violation of RCW 21.20.010 because as set
9 forth in the Tentative Findings of Fact, Respondents omitted to state material facts necessary in
10 order to make the statements made, in the light of the circumstances under which they were
11 made, not misleading.

12
13 **EMERGENCY**

14 The Securities Administrator finds that an emergency exists, that the continued violations
15 of RCW 21.20.040, RCW 21.20.040 and RCW 21.20.010 constitute a threat to the investing
16 public, and that the summary order to cease and desist from those violations are in the public
17 interest and necessary for the protection of the investing public.

18
19 **SUMMARY ORDER**

20 Based on the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY
21 ORDERED that Respondents, David A. Ball and David A. Ball dba Beacon Development
22 Group, Inc., and their agents and employee, each cease and desist from offering or selling

1 securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of
2 Washington requiring registration.

3 It is further SUMMARILY ORDERED that David A. Ball cease and desist from
4 violation of RCW 21.20.040, the section of the Securities Act that requires registration of
5 securities salespersons and broker-dealers.

6 It is further SUMMARILY ORDERED that respondents, David A. Ball and David A.
7 Ball dba Beacon Development Group, Inc., and their agents and employees, each cease and
8 desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

9
10 **NOTICE OF INTENT TO IMPOSE FINES**

11 Pursuant to RCW 21.20.395, and based on the foregoing Tentative Findings of Fact
12 and Conclusions of Law, the Securities Administrator intends to order that Respondents,
13 David A. Ball and Beacon Development Group, Inc., jointly and severally pay a fine of
14 \$30,000.

15
16 **NOTICE OF INTENT TO CHARGE COSTS**

17 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact
18 and Conclusions of Law, the Securities Administrator intends to order that Respondents,
19 David A. Ball and David A. Ball dba Beacon Development Group, Inc., jointly and severally
20 pay costs of not less than \$5,000 incurred in the conduct of the administrative investigation
21 and hearing of this matter.

1 **AUTHORITY AND PROCEDURE**

2 This 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 34.05. The respondents, David A. Ball and David A. Ball dba
4 Beacon Development Group, Inc., may each make a written request for a hearing as set forth in
5 the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
6 accompanying this order.

7 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
8 the above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease
9 and desist order, and impose fines and costs, as to that Respondent.

10 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

11 Dated and Entered this 23rd day of October, 2006.

12 

13 MICHAEL E. STEVENSON
14 Securities Administrator

15 Approved by:

Presented by:

16 

17 

18 Martin Cordell
19 Chief of Enforcement

Dylan Waits
20 Financial Legal Examiner