

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

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation of the Securities
6 Act of Washington by:

7 FRANCIS BART BERTHOLIC, JR.,
8 FIRST LIBERTY FINANCIAL SERVICES, INC.,
9 BB & A PROPERTIES, LLC,
10 BB & A PROPERTIES I, LLC,
11 BB & A PROPERTIES V, LLC,
12 BB & A PROPERTIES VII, LLC, AND
13 BB & A PROPERTIES X, LLC,

14 Respondents.

Order No. S-06-024-06-SC01

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ORDER RESPONDENTS TO
CEASE AND DESIST, PAY RESTITUTION,
IMPOSE FINES, CHARGE COSTS, AND
DENY FUTURE REGISTRATIONS

15 THE STATE OF WASHINGTON TO:

Francis Bart Bertholic, Jr.
First Liberty Financial Services, Inc.
BB & A Properties, LLC
BB & A Properties I, LLC
BB & A Properties V, LLC
BB & A Properties VII, LLC
BB & A Properties X, LLC

16 **STATEMENT OF CHARGES**

17 Please take notice that the Securities Administrator of the State of Washington has reason to believe
18 that Respondents Francis Bart Bertholic, Jr.; First Liberty Financial Services, Inc.; BB & A Properties
19 LLC; BB & A, Properties I, LLC; BB & A, Properties V, LLC; BB & A, Properties VII, LLC; and BB &
20 A, Properties X, LLC have each violated the Securities Act of Washington, and that their violations justify
21 the entry of an order by the Securities Administrator pursuant to RCW 21.20.390 against each to cease and
22 desist from such violations. The Securities Administrator further believes those violations justify the
23 denial of Francis Bart Bertholic, Jr.'s future securities registrations pursuant to RCW 21.20.110(1). The
24 Securities Administrator finds as follows:

25 STATEMENT OF CHARGES AND NOTICE OF INTENT
TO ORDER RESPONDENTS TO CEASE AND DESIST,
PAY RESTITUTION, IMPOSE FINES, CHARGE
COSTS, AND DENY FUTURE REGISTRATIONS

1

Department of Financial Institutions
Securities Division - Compliance Unit
PO Box 9033 Olympia, WA 98507-9033
360-902-8760

1 **TENTATIVE FINDINGS OF FACT**

2 ***I. RESPONDENTS***

3 1. Francis Bart Bertholic, Jr. (“Bertholic”) (CRD # 1841812), known as Bart, is a resident of
4 Spokane, Washington and, until February 2, 2006, was registered as a securities salesperson and
5 investment adviser representative in the State of Washington. Bertholic is presently registered as an
6 insurance agent with the Office of the Insurance Commissioner. Bertholic and all the respondent firms
7 conduct business from 1225 N. Argonne Road, Suite A, Spokane, Spokane County, Washington.

8 2. First Liberty Financial Services, Inc. (“First Liberty”) is an active Washington for-profit corporation
9 incorporated May 14, 2002. First Liberty provides its customers with retail insurance and financial services.
10 First Liberty is not registered as a broker-dealer or investment adviser in Washington. Bertholic is the sole
11 officer and director of First Liberty.

12 3. BB & A Properties, LLC, comprises eleven active Washington for-profit limited liability companies
13 organized by Bertholic between July 7th and November 9th, 2005. Known as BB & A Properties I – XI,
14 LLC, each LLC is tied to a specific piece of real property that was intended to secure promissory notes.
15 Bertholic is the managing and sole member of all eleven LLCs. Though not a registered LLC, Bertholic
16 used the name BB & A Properties, LLC (“BB & A”) to conduct business for all eleven LLCs. BB & A
17 issued promissory notes in two transactions described below.

18 4. BB & A Properties I, LLC (“LLC I”), is an active Washington for-profit limited liability company
19 organized by Bertholic July 7, 2005. On July 15, 2005, Bertholic purchased an 11-unit apartment building
20 in Spokane, which he assigned to LLC I. On August 1, 2005, Bertholic and LLC I executed a deed of
21 trust securing a \$100,000 promissory note issued by Bertholic in the first of the three Bormes transactions.

22 5. BB & A Properties V, LLC (“LLC V”), is an active Washington for-profit limited liability
23 company organized by Bertholic October 3, 2005. On November 4, 2005, Bertholic purchased a single
24

1 family residence in Spokane, which he assigned to LLC V. On January 10, 2006, Bertholic and LLC V
2 executed a deed of trust securing a \$35,000 promissory note issued by BB & A in the second Bormes
3 transaction.

4 6. BB & A Properties VII, LLC (“LLC VII”), is an active Washington for-profit limited liability
5 company organized by Bertholic November 9, 2005. On January 6, 2006, Bertholic purchased a single
6 family residence in Spokane, which he assigned to LLC VII. On January 19, 2006, Bertholic and LLC
7 VII executed a deed of trust securing a \$11,000 promissory note issued by BB & A in the Carney
8 transaction.

9 7. BB & A Properties X, LLC (“LLC X”), is an active Washington for-profit limited liability
10 company organized by Bertholic November 9, 2005. On June 1, 2006, Bertholic and LLC X purchased an
11 11-unit apartment building in Spokane. On May 31, 2006, Bertholic and LLC X issued a \$52,000
12 promissory note and executed a deed of trust securing that note in the third Bormes transaction.

13 **II. OTHER ENTITIES**

14 8. Centaurus Financial, Inc. (“Centaurus”) (CRD# 30833) is an active, for-profit foreign corporation
15 registered in Washington as an investment adviser and broker-dealer, and employs registered securities
16 salespersons and investment adviser representative throughout Washington. Centaurus is a member of the
17 National Association of Securities Dealers (“NASD”). Bertholic was initially registered with Centaurus
18 as a securities salesperson on December 13, 2000, and as an investment adviser representative on
19 September 23, 2002. Centaurus terminated Bertholic on February 2, 2006.

20 **III. BACKGROUND**

21
22 9. Between June 2004 and May 2006, Respondent Bertholic, through First Liberty or BB & A, made
23 three separate offerings of unregistered securities. The first offering involved First Liberty stock offered

1 to First Liberty and Centaurus clients; the second offering involved promissory notes offered to First
2 Liberty and Centaurus clients; and the third offering involved promissory notes offered to the public via
3 print and Internet advertising. Eight clients, and one member of the general public, invested a total of
4 \$883,000 in the three offerings.

5 10. In connection with those offers and sales, Respondents Bertholic, First Liberty, and BB & A
6 made numerous material misrepresentations, and failed to make numerous material disclosures,
7 concerning the safety and risks associated with the investments. In addition, Bertholic failed to notify his
8 employer, the Central Registration Depository, or the Investment Advisor Registration Depository that he
9 was engaged in private securities transactions and outside business activity involving the offer and sale of
10 stock and promissory notes.

11 *IV. NATURE OF THE VIOLATIONS*

12 A. First Liberty Stock Offering

13 11. Beginning in June 2004, Respondent Bertholic began offering and selling securities in the form
14 of capital stock of First Liberty. The stock more closely resembled debt than equity, as each preferred,
15 non-voting share provided for a specific rate of return from 6 - 8% per annum, with a premium of 1 - 2 %
16 at maturity, interest payments on specific dates, and maturities from 1-4 years. Bertholic did not obtain or
17 conduct a business valuation of First Liberty, and arbitrarily priced the stock at \$1.00 per share.

18 12. Bertholic solicited investments in the stock from his existing Centaurus and First Liberty clients.
19 He told them that he was buying properties, rehabilitating them and selling them for a profit. Bertholic
20 said that he could guarantee a rate of return that was better than what investors could get through a bank.
21 Bertholic represented that investors in First Liberty stock would receive from 6% to 8% interest per
22 annum for a term of 2 to 4 years, plus an additional 2% at the end of the term. From June 2004 through
23 June 2005, Bertholic raised \$190,000 through the sale of stock to five clients located in Washington,

1 California, and Idaho. Bertholic made no financial or risk disclosures concerning the investment, failing
2 to disclose how the stock price was established, his business background and experience, the lack of a
3 public market for the stock, or the intended use of proceeds.

4 B. BB & A Promissory Note Offering

5 13. In mid-2005, Bertholic decided to invest in the Spokane-area real estate market. To raise the
6 capital, Bertholic began offering and selling promissory notes purportedly secured by real estate. As with
7 the stock sales, Bertholic solicited his existing Centaurus and First Liberty clients, talking with a dozen
8 clients and selling promissory notes to four. From June 2005 through May 2006, Bertholic raised
9 \$682,000 through the sale of promissory notes to four clients. The notes paid from 8% to 10% interest per
10 annum, and ranged in term from one to seven years.

11 14. Bertholic represented that the promissory notes would be secured by deeds of trust, and that
12 investor funds would be used to acquire, improve, and maintain real estate. Bertholic initially did not
13 have any investment properties to improve or maintain, and only rarely issued deeds of trust. For
14 example, in July 2005, Bertholic personally issued and sold a \$435,000 promissory note to a First Liberty
15 client, Ms. Sleight. The seven-year note paid 8% per annum. Though he represented that the note would
16 be secured by a deed of trust, Bertholic did not issue or record any deeds until February 2006, when he
17 recorded deeds of trust on three different BB & A properties. Bertholic did not secure the full value of the
18 note, as the deeds only secured \$225,000 of the \$425,000 promissory note.

19 15. In June 2005, Bertholic entered into the first of three transactions with First Liberty and
20 Centaurus client Mr. Bormes. Bertholic personally issued and sold a \$100,000 promissory note, securing
21 the note with a Deed of Trust executed by LLC I. The four-year note paid 8% per annum. In January
22 2006, Bertholic and BB & A issued and sold a \$35,000 promissory note to Mr. Bormes, securing the note
23 with a Deed of Trust executed by LLC V. The nineteen-month note paid 10% per annum. During sworn

1 testimony taken March 16, 2006, Respondent Bertholic assured the Division that he had stopped soliciting
2 funds from investors. However, in May 2006, Bertholic entered into a third transaction with Mr. Bormes
3 when Bertholic and LLC X issued and sold a \$52,000 promissory note.

4 16. Unlike the earlier transactions, which involved almost no documentation, this transaction
5 involved significant paperwork. Bertholic and LLC X prepared, and Mr. Bormes initialed, a three-page
6 "Investor Suitability Questionnaire" indicating Mr. Bormes was an accredited investor. Bertholic and
7 LLC X prepared, and the parties executed, a five-page "Note Purchase Agreement" detailing the terms of
8 the transaction. Among other terms, the Agreement disclosed that LLC X's manager and sole member,
9 Bertholic, was the subject of an investigation by the Securities Division and the National Association of
10 Securities Dealers ("NASD") for alleged violations of securities law. Exhibit A of the Agreement
11 consisted of a two-page promissory note issued by LLC X and signed by Bertholic as Manager of LLC X.

12 17. Bertholic and LLX also provided Mr. Bormes with a copy of a recorded Deed of Trust securing
13 the promissory note, a personal financial statement showing a net worth of \$327,264, and information
14 about the real property used to secure the promissory note, including Spokane County Assessor's Office
15 information, a title report and title insurance, and appraisals from Zillow.com and Certified Appraisal, Inc.

16 C. Advertised Promissory Note Offering

17 18. In October 2005, Bertholic and BB & A began publicly advertising the real estate investment
18 program. Bertholic purchased a marketing system from Real Estate Web Profits.com, an Internet-based
19 business that sells web templates and site hosting to parties interested in operating real estate investing
20 businesses. The templates were designed to generate business leads from real estate buyers, sellers, and
21 investors. Bertholic's site targeting potential investors, BartBertholicandAssociates.com, became active
22 on or about October 21, 2005. One of the web pages, Testimonials, displayed four testimonials from
23

1 customers purportedly describing their satisfactory experience doing business with BB & A. In fact, none
2 of the individuals ever did business with Respondents Bertholic or BB & A.

3 19. Another web page, About Us, described BB & A as a professional real estate investment
4 company with a decade of experience spanning millions of dollars in closed transactions.
5 In fact, Bertholic and BB & A had little experience investing in real estate, had not closed a single
6 transaction, and had made its first real estate investment just four months earlier. Bertholic and BB & A
7 sent offering materials to at least one potential investor who responded to the Internet site.

8 20. In November 2005, Bertholic began advertising in the Spokane *Spokesman-Review* classifieds
9 for investors. The advertisements ran daily through January 2006 and appeared as follows:

EARN 12-14%
Secured By Real Estate
1st and 2nd Mortgages
IRA's and Trusts accepted.
Call Bart @ 509-926-0863
BartBertholicandAssociates.com

14 The advertisement directed potential investors to call Bertholic at a phone number assigned to BB & A. A
15 smaller version of this advertisement also appeared once in the *USA Today*.

16 21. Bertholic also placed a larger advertisement in the *Spokesman-Review* that ran approximately three
17 times in January 2006. Headlined "ATTENTION INVESTORS," the advertisement offered 10-14% returns
18 secured by 1st and 2nd positions on real estate mortgages. The advertisement included the Internet address of
19 BB & A, and directed potential investors to call Bertholic at a phone number assigned to First Liberty.

20 22. Bertholic sent offering materials to eight of the fifteen potential investors who responded to the print
21 advertisements. The materials included four documents: a one page cover letter printed on BB & A letterhead
22 and signed by Bertholic; a one page, double-sided flyer; a seven page document purportedly describing BB &
23

1 A's real estate investment program; and a 43-page portfolio with economic data from the Spokane area and
2 listing seven LLC properties, BB & A Properties I – VII.

3 23. The front page of the flyer was identical to the advertisements described above, while the back page
4 listed the terms of the investment programs that were available as of January 1, 2006, as follows:

- 5 ➤ 10% interest only – monthly payments – due in 24 months – Secured by 2nd loan - \$25,000 minimum
- 6 ➤ 11% interest only – quarterly payments – due in 24 months – Secured by 2nd loan - \$25,000 minimum
- 7 ➤ 12% interest only – annual payments – due in 24 months – Secured by 2nd loan - \$25,000 minimum
- 8 ➤ 13% interest only – annual payments – due in 36 months – Secured by 2nd loan - \$25,000 minimum
- 8 ➤ 14% interest only – principal and interest due at maturity – due in 18 months – Secured by First loans -
\$150,000 minimum

9 24. The seven page document purportedly describing BB & A's investment programs was copied from
10 a document available on the Internet at more than a dozen web sites. Bertholic obtained a copy, added his
11 contact information, and distributed it to potential investors as describing his investment program.

12 25. The document described a private mortgage loan program where investors loan money to real estate
13 purchasers documented by a promissory note and secured by real estate. According to the document,
14 Respondents Bertholic and BB & A are professional and qualified real estate investors, private mortgages are
15 very safe and produce high yields, and investors who participate in the program will realize returns three to
16 five times greater than their current rate of return. In fact, neither Bertholic nor BB & A were professional or
17 qualified real estate investors, private mortgage lending carries substantial risks, few of which were disclosed
18 in the offering materials, and there was no reasonable basis to support the claim that investors would realize
19 returns three to five times greater than current rates.

20 26. The document also described the foreclosure process as simple and inexpensive, and claimed that in
21 90% of the cases, the principal, accrued interest, attorney fees, court costs, and all other expenses incurred in
22 connection with the loan would be repaid in full before the foreclosure is complete. Respondents Bertholic
23 and BB & A claimed that they had never been late on a payment to an investor and had “no unhappy

1 investors...” In fact, the foreclosure process is neither simple nor inexpensive, and during the time they were
2 advertising, Respondents Bertholic and BB & A had no investors involved in the advertised real estate
3 investment programs, and only eight investors involved in a significantly different investment program.

4 27. On or about January 1, 2006, a member of the general public, Mr. Carney, responded to an
5 advertisement that appeared in the *Spokesman-Review*. Mr. Carney met with Bertholic at First Liberty, and
6 on or about January 19, 2006, invested \$11,000 in the real estate program. Because the minimum investment
7 was \$25,000, Mr. Carney promised to invest the balance of \$14,000 within 30 days. Bertholic gave Mr.
8 Carney a promissory note securing the investment issued by BB & A. The note paid 13% simple interest per
9 annum for a term of one year. The note further provided that if Mr. Carney did not invest the balance of
10 \$14,000 within 30 days, the interest rate would be only 10%.

11 28. On or about January 16, 2006, another member of the general public, Mr. Thompson, responded to
12 an advertisement that appeared in the *Spokesman-Review*. Mr. Thompson spoke with Bertholic, who stated
13 that any investment would be guaranteed. Mr. Thompson requested additional information about the
14 investment. On or about January 17, 2006, Bertholic sent Mr. Thompson the offering documents described
15 above, including the one page, double-sided flyer; the seven page document purportedly describing BB & A’s
16 real estate investment program; and the 43-page portfolio.

17 D. Misrepresentations and Omissions

18 i. First Liberty Stock Offering

19 29. Respondents Bertholic and First Liberty failed to make disclosures to First Liberty and
20 Centaurus clients necessary to make statements made concerning investing in First Liberty stock not
21 misleading, including but not limited to failing to disclose the financial status of First Liberty, the
22 background and experience of Bertholic, the lack of a market for the shares, the risks associated with
23 investing in a closely-held corporation, and that the stock price had been arbitrarily established.

1 ii. BB & A Promissory Note Offering

2 30. Respondents Bertholic and BB & A made material misrepresentations to First Liberty and
3 Centaurus clients concerning their real estate investment program, including but not limited to
4 representing that promissory notes would be secured by deeds of trust.

5 31. Respondents Bertholic and BB & A failed to make disclosures to First Liberty and Centaurus
6 clients necessary to make statements made concerning the risks of the real estate investment program not
7 misleading, including but not limited to failing to disclose the financial status and experience of the
8 Bertholic and BB & A, failing to provide title reports and appraisals of the property being used to secure
9 the promissory notes, and failing to disclose the risk of default, that the value of the property might be less
10 than the amount invested, that investors are dependent upon the issuer to service the loans, and that the
11 investments were not liquid.

12 32. In disclosing the on-going investigation to Mr. Bormes, Respondents Bertholic and LLC X failed
13 to make disclosures necessary to make statements made concerning the investigation not misleading,
14 including failing to disclose the scope and nature of the investigation.

15
16 iii. Advertised Promissory Note Offering

17 33. Respondents Bertholic and BB & A made material misrepresentations to the public concerning
18 their real estate investment program, including but not limited to representing that notes secured by real
19 estate are low-risk investments, that investors would receive returns three to five times greater than with
20 other investments, that Respondents had many satisfied customers, and that in 90% of transactions
21 involving foreclosure, investors recover 100% of their investment and interest, plus all costs, fees, and
22 expenses, prior to the final foreclosure.

1 E. Rule Violations

2 34. On or about June 1, 2004, Bertholic started offering and selling stock in First Liberty to his First
3 Liberty and Centaurus clients. On or about June 1, 2005, Bertholic started offering and selling promissory
4 notes to his First Liberty and Centaurus clients, and to others, individually and through BB & A. From
5 December 2000 through February 2006, Bertholic was a registered person associated with Centaurus, a
6 NASD member broker-dealer.

7 35. On or about January 31, 2006, Respondent Bertholic filed an amended Form U-4 with the
8 Central Registration Depository (“CRD”) and the Investment Advisor Registration Depository (“IARD”).
9 Bertholic disclosed that he was the owner of a firm known as BB & A Properties and that the firm was not
10 an investment-related business. He failed to disclose that he had been selling stock in First Liberty, failed
11 to disclose that he had been selling promissory notes individually and through BB & A, and
12 mischaracterized the nature of BB & A’s business activity as being not investment-related.

13 36. The Securities Act of Washington (“the Securities Act”) provides that violations of Conduct
14 Rules promulgated by the NASD constitute grounds for action under the Act. NASD Conduct Rule 3040
15 forbids any person associated with a member broker-dealer from participating in a private securities
16 transaction except in accordance with the requirements of the rule. A private securities transaction is a
17 securities transaction outside the regular course and scope of the associated person’s employment with the
18 member broker-dealer. The rule requires that the associated person provide advance notice in writing of
19 the person’s proposed role in the transaction and whether that person will receive selling compensation in
20 connection with that role. The member broker-dealer must then advise the associated person in writing
21 whether it approves or disapproves the associated person’s participation. If the member broker-dealer
22 approves participation, the transaction must be recorded on the books and records of the member broker-

1 dealer and the member broker-dealer is to supervise the transaction as if it were executed on behalf of the
2 member broker-dealer.

3 37. NASD Conduct Rule 3030 forbids any registered person associated with a member broker-dealer
4 from being employed by or accepting compensation from any other person as a result of business activity
5 unless the registered person has provided prompt written notice to the member broker-dealer.

6 38. Bertholic never disclosed his private securities transactions or outside business activity to
7 Centaurus. On or about February 2, 2006, Centaurus terminated Respondent Bertholic for engaging in
8 undisclosed outside business activity and misrepresenting the activity as being non-investment related.

9 F. Registration Violations

10 39. The stock and promissory notes described above are not currently registered in Washington, have
11 not previously been so registered, and no claim of exemption for the offer or sale of said securities is on
12 file with the Division.

13 40. While offering and selling the promissory notes described above, Respondents BB & A, LLC I,
14 LLC V, LLC VII, and LLC X were not registered as Broker Dealers in the State of Washington.

15 41. While offering and selling the promissory note in May 2006 described above, Respondent
16 Bertholic was not registered as a securities salesperson in the State of Washington.

17 42. Based upon the foregoing, the Securities Administrator finds that the continued offering of stock
18 and promissory notes as described above presents a threat to the investing public.

19
20 Based on the foregoing Tentative Findings of Fact, the following Conclusions of Law are made:

21 **CONCLUSIONS OF LAW**

22 1. The offer and sale of the stock and the promissory notes described above constitutes the offer and
23 sale of a security as defined in RCW 21.20.005(10) and (12).

1 2. Respondents Francis Bart Bertholic, Jr., First Liberty Financial Services, Inc., BB & A Properties,
2 LLC, and BB & A Properties X, LLC have each willfully violated RCW 21.20.010, the anti-fraud
3 provision of the Securities Act, by making, in connection with the offer or sale of said securities, untrue
4 statements of material fact and by omitting to state material facts necessary in order to make the
5 statements made, in light of the circumstances under which they were made, not misleading.

6 3. Respondents Francis Bart Bertholic, Jr., First Liberty Financial Services, Inc., BB & A Properties,
7 LLC, BB & A Properties I, LLC, BB & A Properties V, LLC, BB & A Properties VII, LLC, and BB & A
8 Properties X, LLC have each willfully violated RCW 21.20.140, the securities registration provision of the
9 Securities Act, by offering or selling said securities while no registration for such offer or sale was on file
10 with the Division.

11 4. Respondents First Liberty Financial Services, Inc., BB & A Properties, LLC, BB & A Properties I,
12 LLC, BB & A Properties V, LLC, BB & A Properties VII, LLC, and BB & A Properties X, LLC have
13 each willfully violated RCW 21.20.040, the broker dealer registration provision of the Securities Act, by
14 offering or selling said securities while not registered as a broker dealer.

15 5. Respondent Francis Bart Bertholic, Jr. has willfully violated RCW 21.20.040, the securities
16 salesperson registration provision of the Securities Act, by offering or selling said securities while not
17 registered as a securities salesperson.

18 6. Respondent Francis Bart Bertholic, Jr., has willfully violated a rule under the Securities Act by
19 failing to promptly file an updated Form U4 with the CRD and IARD. WAC 460-22B-060 requires that
20 securities salespersons promptly file changes with CRD. WAC 460-24A-205 requires that investment
21 adviser representatives promptly file changes with IARD. Pursuant to RCW 21.20.110(1)(b), Respondent
22 Bertholic's willful violation of WAC 460-22B-060 and WAC 460-24A-205 provides grounds for the
23

1 denial of Respondent Bertholic's future broker-dealer, securities salesperson, investment adviser, and
2 investment adviser representative registrations pursuant to RCW 21.20.110(1).

3 7. Respondent Francis Bart Bertholic, Jr., has willfully violated a rule under the Securities Act by
4 failing to comply with applicable provisions of the Conduct Rules of the NASD. Conduct Rules 3040 and
5 3030 prohibit securities salespersons from engaging in private securities transactions or outside business
6 activity prior to notice to and approval from their employer. Pursuant to WAC 460-22B-090, such rule
7 violations are a dishonest and unethical business practice. Pursuant to RCW 21.20.110(1)(g), Respondent
8 Bertholic's willful violation of WAC 460-22B-090 provide grounds for denial of Respondent Bertholic's
9 future broker-dealer, securities salesperson, investment adviser, and investment adviser representative
10 registrations pursuant to RCW 21.20.110(1).

11 8. The willful violations of RCW 21.20.010, RCW 21.20.140, and RCW 21.20.040 provide grounds,
12 pursuant to RCW 21.20.110(1), for the denial of Respondent Bertholic's future broker-dealer, securities
13 salesperson, investment adviser, or investment adviser representative registrations, and for the imposition
14 of fines and costs. Furthermore, the willful violations of RCW 21.20.010 provide grounds, pursuant to
15 RCW 21.20.390, for the imposition of fines and costs.

16
17 **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

18 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of
19 Law, the Securities Administrator intends to order that Respondents Francis Bart Bertholic, Jr., First Liberty
20 Financial Services, Inc., BB & A Properties, LLC, BB & A Properties I, LLC, BB & A Properties V, LLC,
21 BB & A Properties VII, LLC, and BB & A Properties X, LLC shall each cease and desist from violating
22 RCW 21.20.010, the anti-fraud provision, RCW 21.20.140, the securities registration provision, and
23 RCW 21.20.040, the securities broker-dealer and salesperson registration provision of the Securities Act.

1 **NOTICE OF INTENT TO DENY FUTURE REGISTRATION**

2 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions
3 of Law, the Securities Administrator intends to order that the future broker-dealer, securities salesperson,
4 investment adviser, or investment adviser representative registrations of Respondent Francis Bart
5 Bertholic, Jr. shall be denied.
6

7 **NOTICE OF INTENT TO ORDER AN ACCOUNTING AND RESTITUTION**

8 Pursuant to RCW 21.20.110 and RCW 21.20.390, and based upon the above Tentative Findings of
9 Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Francis Bart
10 Bertholic, Jr. and First Liberty Financial Services, Inc. shall provide an accounting of all stock sales and
11 shall be jointly and severally liable for and shall pay full restitution to First Liberty stock investors in an
12 amount to be determined by the accounting.

13 Furthermore, pursuant to RCW 21.20.110 and RCW 21.20.390, and based upon the above Tentative
14 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents
15 Francis Bart Bertholic, Jr. and BB & A Properties LLC shall provide an accounting of all promissory note
16 sales and shall be jointly and severally liable for and shall pay full restitution to all promissory notes
17 investors in an amount to be determined by the accounting.
18

19 **NOTICE OF INTENT TO IMPOSE FINES**

20 Pursuant to RCW 21.20.110 and RCW 21.20.395(1), and based upon the above Tentative Findings of
21 Fact and Conclusions of Law, the Securities Administrator finds that one or more knowing and reckless
22 violations of the Securities Act have occurred such that the imposition of fines is appropriate. Therefore,
23

1 the Administrator intends to order that Respondents Francis Bart Bertholic, Jr., First Liberty Financial
2 Services, Inc., and BB & A Properties, LLC shall each be liable for and pay fines in the following amounts:

- 3 a. Respondent Francis Bart Bertholic, Jr. shall be liable for and shall pay a fine of \$150,000;
- 4 b. Respondent First Liberty Financial Services, Inc. shall be liable for and shall pay a fine of
\$50,000; and
- 5 c. Respondent BB & A, Inc., d/b/a Bart Bertholic & Associates shall be liable for and shall pay a
fine of \$75,000.

7 **NOTICE OF INTENT TO CHARGE COSTS**

8 Pursuant to RCW 21.20.110(7) and RCW 21.20.390(5), and based upon the above Tentative Findings
9 of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondents Francis
10 Bart Bertholic, Jr., First Liberty Financial Services, Inc., and BB & A Properties, LLC, shall be jointly and
11 severally liable for and shall pay the costs, fees, and other expenses incurred in the conduct of the
12 administrative investigation, hearings or court proceedings relating to this matter. As of December 2006,
13 these costs total \$26,500.

15 **AUTHORITY AND PROCEDURE**

16 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.110, RCW 21.20.390,
17 and RCW 21.20.395, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW.
18 Respondents may each make a written request for a hearing as set forth in the NOTICE OF
19 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of
20 Charges. If a Respondent does not request a hearing, as to that Respondent, the Securities Administrator
21 intends to adopt the foregoing Tentative Findings of Fact and Conclusions of Law as final, and enter a
22 final order against that Respondent enjoining future violations of the Securities Act, denying future
23 registrations, ordering restitution, imposing fines, and charging costs as described above.

1 **CONTINUING INVESTIGATION**

2 The Securities Division is continuing to investigate the practices of the Respondents herein to
3 determine the full extent of the violations of the Securities Act that may have occurred in this matter.
4

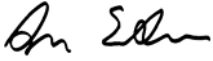
5
6 DATED and ENTERED this 27th day of December, 2006.

7 

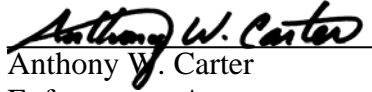
8 _____
9 MICHAEL E. STEVENSON
10 Securities Administrator

11 Approved for entry by:

12 Presented by:

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14 _____
15 SUZANNE E. SARASON
16 Program Manager
17 Compliance & Examination Unit

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19 _____
20 ANTHONY W. CARTER
21 Enforcement Attorney
22 Compliance & Examination Unit