

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) S-06-121-06-TO01
Whether there has been a violation of the)
Securities Act of Washington by:) STOP ORDER SUSPENDING SECURITIES
) REGISTRATION AND DENYING RE-
Pacific Coast Investment Co. and) REGISTRATION, SUMMARY ORDER
Raymundo Salgado,) SUSPENDING AND DENYING BROKER-
) DEALER AND SALESPERSON
Respondents.) REGISTRATION, AND SUMMARY
) ORDER REVOKING EXEMPTIONS
)

THE STATE OF WASHINGTON TO: Pacific Coast Investment Co.
403 Columbia Ave., Suite 410
Seattle, WA 98104

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Pacific Coast Investment Co. and Raymundo Salgado, have violated the Securities Act of Washington and that their violations justify the entry of orders of the Securities Administrator under RCW 21.20.280, RCW 21.20.110, and RCW 21.20.325 to suspend the effectiveness of PCIC's current securities registration and to deny PCIC's re-registration application; to summarily suspend PCIC's current broker-dealer registration and deny its re-registration application; to summarily suspend the current salesperson registration of Raymundo Salgado and deny his re-registration application; and to summarily revoke PCIC's ability to rely on the exemptions from registration provided by RCW 21.20.320(1), (5), (9), (11), and (17). The Securities Administrator finds that delay in issuing these orders would be hazardous to investors and to the public and that the orders should be entered immediately. The Securities Administrator finds as follows:

STOP ORDER SUSPENDING SECURITIES REGISTRATION
AND DENYING RE-REGISTRATION, SUMMARY ORDER
SUSPENDING AND DENYING BROKER-DEALER AND
SALESPERSON REGISTRATION, AND SUMMARY ORDER
REVOKING EXEMPTIONS

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

1 **TENTATIVE FINDINGS OF FACT**

2 **RESPONDENTS**

3 1. Pacific Coast Investment Co. (“PCIC”) is a Washington corporation with its principal
4 place of business at 401 Columbia Avenue, Suite 410, Seattle, WA 98104.

5 2. PCIC is currently registered pursuant to RCW 21.20.210 and WAC 460-33A to sell
6 mortgage paper securities as that term is defined in WAC 460-33A-015(4). The registration
7 number is 70011404, which expires on June 30, 2006.

8 3. PCIC is currently registered as a broker-dealer under RCW 21.20.040 with registration
9 number 10003976, which expires on June 30, 2006.

10 4. Raymundo Salgado is currently a Director, CEO, President, Secretary and Treasurer at
11 PCIC. Mr. Salgado is registered as a securities salesperson with registration number 20008043,
12 which expires on June 30, 2006.

13 5. On May 19, 2006, PCIC filed an application for re-registration with the Securities
14 Division (“Division”), as well as a copy of its General Offering Circular dated July 1, 2006.

15 **BACKGROUND**

16 6. PCIC originates or acquires notes secured by deeds of trusts on real property and then
17 resells to investors fractionalized “participation” interests in those loans. PCIC registers these
18 participation interests with the Securities Division as “mortgage paper securities” under RCW
19 21.20.210 and WAC 460-33A. Through the registration process in WAC 460-33A, PCIC
20 becomes a “mortgage broker-dealer” as that term is defined in WAC 460-33A-005(1). To use
21 this registration process, WAC 460-33A-020 generally requires that the registrant file a
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1 registration statement accompanied by a general offering circular, a sample specific offering
2 circular, and certain other documents with the Securities Division.

3 7. WAC 460-33A also sets forth rules regarding trust accounting, disbursement of investor
4 funds, timely recording the instrument securing the investors' participation interest, fiduciary
5 duties and conflicts of interests, and other matters.

6 8. Since 2004, the Division has twice issued administrative orders against PCIC alleging
7 failure to timely record investor interests, trust accounting violations, and other matters. In
8 Consent Orders dated May 7, 2004, and November 5, 2005, PCIC agreed to cease and desist
9 from future violations of RCW 21.20.010 and WAC 460-33A-055, -060, -070. See Order
10 Numbers S-03-209-04-CO01 and S-05-073-05-CO01.
11

12 NATURE OF THE CONDUCT

13 9. The Division issued a comment letter dated June 15, 2006, addressing incomplete or
14 misleading statements in PCIC's General Offering Circular. Some comments addressed
15 incomplete disclosure about prior loan performance, stale financial information, incomplete
16 disclosure concerning management and key employees, and incomplete information about
17 conflicts of interest and related risks. As of the date of these Orders, PCIC has not responded to
18 the Division's comment letter or otherwise supplemented its registration statement.
19

20 10. In connection with the mortgage paper securities that PCIC sells, PCIC serves as
21 servicing agent and manager for the loans and underlying properties. For some mortgage paper
22 securities sold by PCIC, borrowers have defaulted on the underlying notes. Through PCIC's
23 efforts as manager, investors subsequently acquired the real properties that had secured the
24 investors' participation interests in the notes. PCIC has recommended to investors that they sell
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1 these real properties. Some of these recommended sales involved financing by the investors
2 through loan transactions that were brokered by PCIC. Based on information provided by PCIC,
3 it made at least three recommendations since May 2005 to sell properties that secured investor
4 participation interests without providing investors all of the disclosures required by WAC 460-
5 33A-037. Omitted disclosures include a current appraisal or broker's opinion of value when
6 required by WAC 460-33A-037(2); tax assessed value; the right of investors to receive a list of
7 other investors holding an interest in the property; the right of a majority of investors to remove
8 PCIC as servicing agent; and a loan application, credit report, and financial statements for the
9 buyer. Despite investor complaints to PCIC, it continues to fail to disclose this information to
10 investors.
11

12 11. Prior Securities Division examinations and investigations of PCIC have revealed that
13 PCIC fails to record property instruments in a timely manner, leaving the investors unsecured or
14 vulnerable to prior recorded interests. In its role as manager, PCIC sells foreclosed properties for
15 investors. Based on information provided by PCIC, in at least two transactions since May 2005,
16 PCIC released investors' interests in foreclosed properties in consideration for a note without
17 first perfecting investors' security interests in the note. PCIC states that investor interests are
18 secured and does not disclose to investors that it has not perfected their interests in the note or
19 the related risks. In conflict with the investors' interests, PCIC did not obtain consent of
20 investors to release their property interests without having perfected their security interests.
21

22 CONTINUING INVESTIGATION

23 12. This matter is being investigated for other possible violations of the Securities Act of
24 Washington and the rules and orders thereunder.
25

1 EMERGENCY AND PUBLIC INTEREST

2 13. The Securities Administrator finds that an emergency exists, that the continued violations
3 of RCW 21.20 and WAC 460-33A, and the continued availability of exemptions under RCW
4 21.20.320(1), (5), (9), (11), and (17), constitute a threat to the investing public, and that orders
5 suspending securities registration and denying re-registration, suspending broker-dealer and
6 salesperson registrations, and revoking the availability of the exemptions under RCW
7 21.20.320(1), (5), (9), (11), and (17) are in the public interest and necessary for the protection of
8 the investing public.
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11 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

12 **CONCLUSIONS OF LAW**

13 1. The offer or sale of notes, notes and deeds of trust, and mortgage paper securities as
14 described above constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and
15 (12).

16 2. As set forth above in the Tentative Findings of Fact, PCIC's general offering circular and
17 other re-registration materials are materially incomplete, which constitutes a ground for the entry
18 of a Stop Order under RCW 21.20.280(1).

19 3. As set forth above in the Tentative Findings of Fact, PCIC has willfully violated WAC
20 460-33A-037 because it recommended to investors that they sell real estate the investors owned
21 without providing required disclosures, which constitutes grounds for a Stop Order under RCW
22 21.20.280(2), an order suspending and denying broker-dealer and salesperson registration under
23 RCW 21.20.110(1), and an order revoking exemptions under RCW 21.20.325.
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1 4. As set forth above in the Tentative Findings of Fact, PCIC has violated RCW 21.20.010
2 because, in connection with the offer or sale of a security, it has made materially false or
3 misleading statements or omissions regarding investor security interests, property values,
4 borrower credit and financial information, and other matters. Such conduct constitutes grounds
5 for a Stop Order under RCW 21.20.280(2), an order suspending and denying broker-dealer and
6 salesperson registration under RCW 21.20.110(1), and an order revoking exemptions under
7 RCW 21.20.325.
8

9 **STOP ORDER AND SUMMARY ORDER**

10 Based on the foregoing, now, therefore:

11 IT IS HEREBY ORDERED, under the authority of RCW 21.20.280(1) and (2), that the
12 current securities registration of Pacific Coast Investment Co. is suspended.

13 It is further ORDERED, under the authority of RCW 21.20.280(1) and (2), that PCIC's
14 re-registration application is denied.

15 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.110(1),
16 that PCIC's broker-dealer registration is suspended.

17 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.110(1),
18 that PCIC's broker-dealer re-registration application is denied.

19 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.110(1),
20 that Raymundo Salgado's salesperson registration is suspended.

21 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.110(1),
22 that Raymundo Salgado's salesperson re-registration application is denied.
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1 It is further SUMMARILY ORDERED, under the authority of RCW 21.20.325, that
2 the exemptions from registration in RCW 21.20.320(1), (5), (9), (11), and (17) are revoked
3 with respect to securities offered or sold by PCIC or its affiliates.
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5 **AUTHORITY AND PROCEDURE**

6 These Orders are entered pursuant to the provisions of RCW 21.20.280, RCW 21.20.110,
7 and RCW 21.20.325 and are subject to the provisions of chapter 34.05 RCW. The Respondents,
8 Pacific Coast Investment Co. and Raymundo Salgado, may each make a written request for a
9 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY
10 FOR HEARING accompanying this Order.
11

12 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
13 the above Tentative Findings of Fact and Conclusions of Law as final, and enter a final Stop
14 Order revoking registration effectiveness and denying re-registration and a final Order revoking
15 broker-dealer registration, revoking salesperson registration, and revoking exemptions as to the
16 Respondent.

17 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

18 Dated this 28th day of June, 2006

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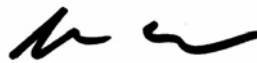
20 MICHAEL E. STEVENSON
21 Securities Administrator

22 Approved by:

23 

24 William Beatty
25 Chief of Registration

Presented by:



Andrew Ledbetter
Registration Attorney

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