

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING) Order Number S-06-178-08-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
) AND DESIST; TO IMPOSE FINES; TO
Clarion Trust Company; Hutchins) CHARGE COSTS; AND TO DENY FUTURE
Associates, Inc.; Hutchins) SECURITIES SALESPERSON
Development Project; American) REGISTRATION
Providence Financial Corp.; Randy)
Maine; Dennis Sharp; Wayne James)
)
)
Respondents)

THE STATE OF WASHINGTON TO: Clarion Trust Company; Hutchins Associates,
Inc.; Hutchins Development Project;
American Providence Financial Corp.; Randy
Maine; Dennis Sharp; Wayne James

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Clarion Trust Company; Hutchins Associates, Inc.; Hutchins Development Project; American Providence Financial Corp.; Randy Maine; Dennis Sharp; and Wayne James have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator also has reason to believe that Dennis Sharp has engaged in dishonest and unethical practices in the securities business while employed as a registered securities salesperson for PFS Investments, Inc., and that those practices justify

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST; TO IMPOSE FINES; TO CHARGE COSTS AND TO DENY FUTURE SECURITIES SALESPERSON REGISTRATION

1

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

1 the revocation of Dennis Sharp’s securities salesperson registration pursuant to RCW
2 21.20.110(1)(g). The Securities Administrator finds as follows:

3
4 **TENTATIVE FINDINGS OF FACT**

5 **I. PARTIES**

6
7 1. Clarion Trust Company (“Clarion Trust”), an unincorporated business entity, had
8 a principal place of business in Gig Harbor, Washington. Clarion Trust was purportedly in the
9 business of residential development and serviced investments made in Hutchins Associates, Inc.;
10 Hutchins Development Project and American Providence Financial Corp.

11 2. Hutchins Associates, Inc. (“Hutchins Associates”) was incorporated in Nevada
12 from May 2001 to June 2003 with offices in Puyallup, Washington, and in Dallas County, Texas.
13 Hutchins Associates was purportedly in the business of residential development in the Dallas
14 County, Texas area.

15 3. Hutchins Development Project (“Hutchins Development”) had a principal place
16 of business of McKinney, Texas. Hutchins Development was purportedly in the business of
17 residential development in the Dallas County, Texas area.

18 4. American Providence Financial Corp. (“American Providence”), was
19 incorporated in Texas from January 2000 to September 2002, with an office in Puyallup,
20 Washington and Dallas, Texas. American Providence was purportedly in the business of
21 residential development in Dallas County, Texas and servicing investments made Hutchins
22 Development.
23

1 5. Randy Maine (“Maine”), a resident of Texas and former Washington resident,
2 was at one time the president of Hutchins Associates, and the president of Hutchins
3 Development. Maine was registered as a securities salesperson, limited to the offer and sale of
4 mutual funds and variable contract products, in the state of Washington from September 1994 to
5 December 1996. His Financial Industry Regulatory Authority (“FINRA”) securities salesperson
6 identification number is 2516734. Between September 1994 and December 1996 Maine was
7 employed at PFS Investments, Inc. (“PFS”), a securities broker-dealer and member of FINRA.
8

9 6. Dennis Sharp (“Sharp”), a Washington resident, was registered as a securities
10 salesperson, limited to the offer and sale of mutual funds and variable contract products, in the
11 state of Washington from January 1992 to October 2006. His FINRA securities salesperson
12 identification number is 2204032. Between November 1991 and October 2006 Sharp was
13 employed at PFS. Sharp was terminated from his employment at PFS upon a completion of an
14 internal review of allegations that Sharp was selling investment products not approved by PFS.

15 7. Wayne James (“James”), a Washington resident, was the president of Hutchins
16 Associates at one time, and is the managing director of Clarion Trust.
17

18 II. NATURE OF THE OFFERING

19 8. Beginning no later than June 1996 and continuing through at least May of 2006,
20 Maine, Sharp and James offered and sold investments in, American Providence, Hutchins
21 Associates and Hutchins Development. At least 23 Washingtonians invested a total in excess of
22 \$2,300,000 the companies.

23 9. Initial investors were promised annual rates of return of between 12% and 15% on
24 their investment which were in the form of promissory notes they received varying in length
25

1 from 24 to 60 months. These initial investors were told that their money was going to be used
2 for real estate development. Some of these early investors received deeds of trust on Maine's
3 residence signed by Maine as security on their notes. Some of these early investors received
4 monthly interest payments on the promissory notes, while other investors elected to have the
5 interest earned retained in the investment. The investors received periodic statements showing
6 the balance of their investments. Most of these investors extended the length of their promissory
7 notes either at the maturity of the note or prior to maturity of their existing notes. The interest
8 was reduced to 12% on some the investors' notes when those notes were extended.
9

10 10. Later investors were promised rates of return between 8% and 12% annually
11 based upon notes varying in length from 24 months 60 months or until the real estate project was
12 completed. The later investors also received promissory notes for their investments. The later
13 investors thought that their money was going to be used to purchase land and develop single and
14 multi-family homes in the Dallas County, Texas area.

15 11. The investors received periodic account statements from American Providence,
16 and later from Clarion Trust. These statements included account balances and accrued interest.
17 As of September 30, 2006, the Respondents owed investors in excess of \$2,400,000 based upon
18 the statements provided to investors.
19

20 III. MISREPRESENTATIONS AND OMISSIONS

21 12. The Respondents failed to provide investors with a disclosure document
22 containing material information about the investment opportunity described above, including but
23 not limited to, a reasonable basis for being able to provide the rates of return promised to
24

1 investors, the use of the investors funds, and the compensation that Maine, Sharp and James were
2 to receive for soliciting investors and providing account statements to investors.

3 13. The majority of the investors were clients of Sharp while he was employed at
4 PFS. These investors thought that the investments were PFS products. Sharp failed to notify
5 these investors that he was not authorized by PFS to sell these investments and the investments
6 were not entered on the books of PFS.

7
8 14. The Respondents also failed to tell investors that one of the pieces of property that
9 they claimed they were developing in Texas had been foreclosed on in 2002 by the financial
10 institution that gave them a loan on the property.

11 IV. REGISTRATION STATUS

12 15. Neither Clarion Trust, nor Hutchins Development, nor Hutchins Associates, nor
13 American Providence is currently registered to sell securities in the state of Washington and none
14 has previously been so registered.

15 16. Wayne James is not currently registered as securities salesperson or broker-dealer
16 in the state of Washington and has not previously been so registered.

17 17. Randy Maine and Dennis Sharp are not currently registered as securities
18 salespersons or broker-dealers in the state of Washington. Maine and Sharp have both
19 previously been registered as securities salespersons in the state of Washington but their licenses
20 were limited to the sale of mutual funds and variable contract products.

21
22 18. Clarion Trust is not currently registered as broker-dealers in the state of
23 Washington and has not previously been so registered.

24 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

1
2 **CONCLUSIONS OF LAW**

3 1. The offer or sale of the investments described above constitutes the offer or sale
4 of a security as defined in RCW 21.20.005(10) and (12).

5 2. The offer or sale of said securities is in violation of RCW 21.20.140 because no
6 registration or notification of claim of exemption for such offer or sale is on file with the
7 Securities Administrator.
8

9 3. Randy Maine and Wayne James have violated RCW 21.20.040 by offering or
10 selling said securities while not registered as a securities salesperson or broker-dealer in the state
11 of Washington.

12 4. Dennis Sharp has committed a dishonest and unethical practice under RCW
13 21.20.110(1)(g) and WAC 460-22B-090(2) by executing securities transactions not recorded in
14 the books of his broker dealer which is a ground for suspension or revocation of his salesperson
15 registration under RCW 21.20.110.

16 5. Clarion Trust Company has violated RCW 21.20.040 by transacting business in
17 securities while not registered as a broker-dealer in the state of Washington.

18 6. The offer or sale of said securities was made in violation of RCW 21.20.010 as
19 described in the Misrepresentations and Omissions section of the Tentative Findings of Fact.
20
21

22 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

23 Based on the above Tentative Finds of Fact and Conclusions of Law, the Securities
24 Administrator intends to order that Clarion Trust Company; Hutchins Associates, Inc.; Hutchins

1 Development Project; American Providence Financial Corp.; Randy Maine; Dennis Sharp; and
2 Wayne James; and their agents and employees, each cease and desist from offering or selling
3 securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of
4 Washington requiring registration.

5 The Securities Administrator intends to order that that Clarion Trust Company; Hutchins
6 Associates, Inc.; Hutchins Development Project; American Providence Financial Corp.; Randy
7 Maine; Dennis Sharp; and Wayne James; and their agents and employees, each cease and desist
8 from offering or selling securities in any manner in violation of RCW 21.20.010., the anti-fraud
9 section of the Securities Act.
10

11 The Securities Administrator intends to order that that Clarion Trust Company; Randy
12 Maine; and Wayne James, each cease and desist from offering or selling securities in any manner
13 in violation of RCW 21.20.040., the section of the Securities Act that requires registration of
14 securities salespersons and broker-dealers.
15

16 **NOTICE OF INTENT TO IMPOSE FINES**

17 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
18 Conclusions of Law, the Securities Administrator intends to order that Respondents, Clarion
19 Trust Company; Hutchins Associates, Inc.; Hutchins Development Project; American
20 Providence Financial Corp.; Randy Maine; and Wayne James shall each pay a fine of \$10,000.
21

22 Pursuant to RCW 21.20.110(1) and RCW 21.20.395, and based upon the Tentative
23 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that
24 Respondent Dennis Sharp shall pay a fine of \$10,000
25

1
2 **NOTICE OF INTENT TO CHARGE COSTS**

3 Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and
4 Conclusions of Law, the Securities Administrator intends to order that Respondents, Clarion
5 Trust Company; Hutchins Associates, Inc.; Hutchins Development Project; American
6 Providence Financial Corp.; Randy Maine; and Wayne James shall each pay costs of not less than
7 \$500 incurred in the conduct of the administrative investigation and hearing of this matter.
8

9 Pursuant to RCW 21.20.110(7) and RCW 21.20.390(5), and based upon the Tentative
10 Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that
11 Respondent Dennis Sharp shall costs of not less than \$500 incurred in the conduct of the
12 administrative investigation and hearing of this matter.
13

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

15 Pursuant to RCW 21.20.110(1), and based upon the Tentative Findings of Fact and
16 Conclusions of Law, the Securities Administrator intends to order that any future application for
17 securities salesperson registration of Dennis Sharp be denied.
18

19 **AUTHORITY AND PROCEDURE**

20
21 This Statement of Charges is entered pursuant to the provisions of the Securities Act and
22 is subject to the provisions of RCW 34.05. The Respondents, Clarion Trust Company; Hutchins
23 Associates, Inc.; Hutchins Development Project; American Providence Financial Corp.; Randy
24 Maine; Dennis Sharp; and Wayne James may each make a written request for a hearing as set
25

1 forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
2 HEARING accompanying this order.

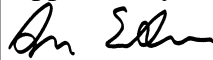
3 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
4 the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent
5 cease and desist order against that Respondent and impose the license revocation, and/or fines
6 and costs described above against that Respondent.
7

8 Dated and Entered this 7th day of May, 2008.

9
10 

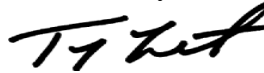
11 MICHAEL E. STEVENSON
12 Securities Administrator

13 Approved by:

14 

15 Suzanne Sarason
16 Chief of Compliance

17 Presented by:

18 

19 Tyler Letey
20 Financial Legal Examiner
21
22
23
24