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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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

Ward R. Brown dba Pacific Sales;
Janice R. Brown dba Lavender House;
Brown's Antiques and Furnishings;
Ward R. Brown; Janice R. Brown,
Respondents.

Order Number S-07-170-07-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ISSUE AN
ORDER TO CEASE AND DESIST AND
RECOVER COSTS

THE STATE OF WASHINGTON TO:

Ward R. Brown dba Pacific Sales
Janice R. Brown dba Lavender House
Brown's Antiques and Furnishings
Ward R. Brown
Janice R. Brown

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Ward R. Brown dba Pacific Sales, Janice R. Brown dba Lavender House, Brown's Antiques and Furnishings, Ward R. Brown, and Janice R. Brown have 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 against each to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. Ward R. Brown is a resident of Lynnwood, Washington. Ward R. Brown was a Washington State licensed insurance agent from June 4, 1992 to June 24, 2000.

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ISSUE AN ORDER TO CEASE AND
DESIST AND RECOVER COSTS

1 2. Janice R. Brown’s residence is unknown at this time. Janice R. Brown was a
2 Washington State licensed insurance agent from August 11, 1992 to July 21, 2000. Janice R.
3 Brown established Brown’s Antiques and Furnishings, an unincorporated business entity which
4 conducted business at 112 Fifth Avenue S., Edmonds, Washington. Janice R. Brown was also
5 the sole proprietor of Janice R. Brown dba Lavender House (“Lavender House”), which
6 conducted business in Edmonds, Washington. Lavender House was an adult family home for
7 seniors who need full time nursing care.

8 3. Ward R. Brown dba Pacific Sales (“Pacific Sales”) was an unincorporated business
9 entity established by Ward R. Brown and Janice R. Brown. Pacific Sales was an antique
10 business which conducted business at 144 Railroad Ave., Edmonds, Washington.

11 Background

12 4. Ward R. Brown and Janice R. Brown (“the Browns”), formerly husband and wife,
13 worked for The Salvation Army. From approximately 1980 to 1990, Ward R. Brown served as
14 The Salvation Army’s Director of Planned Giving. In this position, he conducted seminars on
15 behalf of The Salvation Army. In 1992, the Browns left The Salvation Army.

16 5. In 1992, Ward R. Brown and Janice R. Brown established Brown & Brown &
17 Associates, Inc. (“Brown & Brown & Associates”). Brown & Brown & Associates was an
18 insurance agency and contract paralegal business. The Browns conducted seminars on behalf
19 of Brown & Brown & Associates to generate prospective clients for the business.
20 Subsequently, Ward R. Brown and/or Janice R. Brown established several additional
21 businesses. In 1993 or 1994, the Browns opened Pacific Sales. In 1997 or 1998, Janice R.
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1 Brown opened Brown's Antiques and Furnishings. In 2001 or 2002, Janice R. Brown opened
2 Lavender House.

3 6. From in or about 1995 to present, Ward R. Brown has served as trustee of the trusts
4 of at least three Washington residents. Ward R. Brown met the residents while conducting
5 seminars for The Salvation Army and Brown & Brown & Associates, and while working as a
6 contract paralegal through Brown & Brown & Associates. At the times Ward R. Brown
7 became trustee, all of the residents were elderly women. Ward R. Brown received
8 compensation for his trustee services, including \$1,425 a month or \$75 an hour for trustee fees.

9 Nature of the Conduct

10 *Introduction*

11 7. From about 1995 to at least June 2003, Ward R. Brown and/or Janice R. Brown
12 offered and sold investments in Pacific Sales, Brown's Antiques and Furnishings and
13 Lavender House, in the form of promissory notes, to at least five Washington residents in the
14 amount of at least \$856,670.67. At least three residents were elderly at the time of the
15 investment and at least one resident was not an accredited investor. Most of the residents
16 were not experienced in promissory note investments and these transactions were the first
17 time most, if not all, of the residents had financed a small business.

18 *Pacific Sales and Brown's Antiques and Furnishings*

19 8. In or about 1986, two Washington residents, "Resident A" and "Resident B" met
20 Ward R. Brown. Resident A's wife and Resident B met Ward R. Brown while attending
21 seminars given by him on behalf of The Salvation Army, and both residents subsequently
22 became personal friends of the Browns. After the Browns opened Pacific Sales and Brown's
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1 Antiques and Furnishings, funds were obtained from the residents in order to finance inventory
2 and equipment for the businesses.

3 9. About 1995, Resident A, elderly at the time, invested \$144,000 in Pacific Sales
4 and/or Brown's Antiques and Furnishings. This investment was later evidenced by a
5 promissory note dated February 3, 1997. The note had an 8% annual interest rate, payable
6 monthly, and was unsecured. Resident A did not receive disclosure documents.

7 10. From approximately February 1997 to April 1998, Resident B invested a total of
8 \$355,282.74 in Pacific Sales and/or Brown's Antiques and Furnishings. At least four
9 promissory notes were signed. One note states that the funds were for "investment in Pacific
10 Sales;" one note states that Ward R. Brown received the money "on behalf of Pacific Sales."
11 Three notes had interest rates at either 6% or 10%. One note did not have an interest rate; to
12 avoid paying taxes on interest it was arranged that payments made under this note were
13 principal only. At least one note had an annual interest rate; it is unclear if the interest on the
14 other notes was calculated annually. The notes were unsecured.

15 11. In or about 2000, both Pacific Sales and Brown's Antiques and Furnishing had
16 closed. Brown's Antiques and Furnishings closed due to a decline in antique sales.

17 12. Ward R. Brown is currently making payments on the note with Resident A to
18 Resident A's widow, as described below. Ward R. Brown paid approximately \$112,000 on the
19 note with Resident B until in or about 2003. The remaining balance has not been repaid.

20 *Lavender House*

21 13. An elderly Washington resident, "Resident C," is the widow of Resident A. Shortly
22 before her husband's death, Ward R. Brown was named trustee of their trust. After her
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1 husband's death, Ward R. Brown approached Resident C and solicited her investment in
2 Lavender House. Resident C was not sophisticated or experienced in making investment
3 decisions. From approximately February 1997 to January 2001, Resident C invested a total of
4 \$97,387.93, purportedly in Lavender House, although some of the funds may have been used in
5 the antique businesses. Two promissory notes were signed with 8% annual interest, payable
6 monthly. The notes were unsecured. Resident C did not receive disclosure documents.

7 14. The Lavender House business was operating at full occupancy and was initially
8 successful. Due to its success, the business eventually expanded to include three adult family
9 homes. Beginning in or about January 2003, Ward R. Brown and Janice R. Brown solicited
10 funds from two additional Washington residents, "Resident D" and "Resident E," in order to
11 finance the expansion.

12 15. Resident D, an elderly resident, was a former neighbor of the Browns. Ward R.
13 Brown and Janice R. Brown discussed an investment in Lavender House with Resident D.
14 Janice R. Brown told Resident D he would have second priority on the deed of trust which
15 would secure the note. About January 2003, Resident D invested \$150,000 in Lavender House.
16 The Browns told Resident D the funds would be used to purchase and remodel a house so it
17 could be used as another adult family home. Ward R. Brown and Janice R. Brown signed a
18 promissory note containing a promise to pay \$150,000 to Resident D with 10% annual interest,
19 compounded monthly. The note had a three year maturity date and was secured by a deed of
20 trust on real property located in Snohomish County, Washington.

21 16. Resident E was familiar with the Browns because her mother was an occupant of
22 Lavender House. Ward R. Brown and Janice R. Brown discussed an investment in Lavender
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1 House with Resident E. From May 2003 to June 2003, Resident E invested a total of \$110,000
2 in Lavender House. Resident E was told the funds would be used to remodel a house so it
3 could be used as another adult family home. Ward R. Brown and Janice R. Brown signed two
4 promissory notes containing promises to pay a total of \$110,000 to Resident E with 10% annual
5 interest, compounded monthly. Both notes had a five year maturity date and were secured by
6 deeds of trust on real property located in Snohomish County, Washington. Resident E did not
7 receive disclosure documents.

8 17. As of May 2007, Ward R. Brown had paid approximately \$27,131 on the notes to
9 Resident C and her deceased husband, Resident A. With a balance of approximately \$214,869
10 on the notes, as of May 2007, Ward R. Brown is making \$300 monthly payments to Resident
11 C. Ward R. Brown and/or Janice R. Brown paid approximately \$26,750 on the note to
12 Resident D before defaulting in or about March 2005. Ward R. Brown and/or Janice R. Brown
13 paid approximately \$38,450 on the notes to Resident E before defaulting in or about November
14 2006. The remaining balances have not been repaid.

15 18. The Lavender Houses experienced serious vacancies and closed.

16 Misrepresentations and Omissions

17 19. Respondents failed to provide material information regarding the businesses
18 including, but not limited to, the general and specific risks involved with each entity's business
19 operations, the Respondents' experience and track record in similar endeavors, and financial
20 statements.

1 material facts or omitted to state material facts necessary in order to make the statements made,
2 in light of the circumstances under which they were made, not misleading.

3 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

4 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and
5 Conclusions of Law, the Securities Administrator intends to order that Respondents, Ward R.
6 Brown dba Pacific Sales, Janice R. Brown dba Lavender House, Brown's Antiques and
7 Furnishings, Ward R. Brown, and Janice R. Brown shall each cease and desist from violations of
8 RCW 21.20.010, RCW 21.20.040 and RCW 21.20.140.

9 **NOTICE OF INTENT TO RECOVER COSTS**

10 Pursuant to RCW 21.20.390(5), and based upon the Tentative Findings of Fact and
11 Conclusions of Law, the Securities Administrator intends to order that the Respondents, Ward R.
12 Brown dba Pacific Sales, Janice R. Brown dba Lavender House, Brown's Antiques and
13 Furnishings, Ward R. Brown, and Janice R. Brown shall be liable for and pay the Securities
14 Division the costs and other expenses incurred in the conduct of the administrative investigation
15 and hearing of this matter.

16 **AUTHORITY AND PROCEDURE**

17 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and is
18 subject to the provisions of RCW 21.20 and RCW 34.05. The Respondents, Ward R. Brown dba
19 Pacific Sales, Janice R. Brown dba Lavender House, Brown's Antiques and Furnishings, Ward
20 R. Brown, and Janice R. Brown may each make a written request for a hearing as set forth in the

21 **NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING**

22 accompanying this Statement of Charges.

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

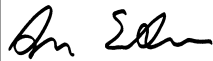
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5 Dated and Entered this 7th day of March, 2008.

6
7 By: 

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MICHAEL E. STEVENSON
9 Securities Administrator

10 Approved by:

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Suzanne Sarason
13 Chief of Compliance and Examinations

Presented by:

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Bridgett Fisher
16 Enforcement Attorney