

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

4 IN THE MATTER OF DETERMINING) Order Number S-08-041-09-SC02
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
7 Pilchuck Investors, LLC and Geoff) OF INTENT TO ENTER AN ORDER TO
8 McPherson,) CEASE AND DESIST
9 Respondents)

10 THE STATE OF WASHINGTON TO: Pilchuck Investors, LLC
11 Geoff McPherson

12 **STATEMENT OF CHARGES**

13 Please take notice that the Securities Administrator of the State of Washington has reason
14 to believe that Respondents, Pilchuck Investors, LLC and Geoff McPherson, have each
15 violated the Securities Act of Washington and that their violations justify the entry of an order
16 of the Securities Administrator under RCW 21.20.390 against each to cease and desist from
17 such violations. The Securities Administrator finds as follows:

18 **TENTATIVE FINDINGS OF FACT**

19 Respondents

20 1. Pilchuck Investors, LLC is a Washington limited liability company that was formed
21 on May 1, 2006. Its principal place of business was located in Tacoma, Washington. The
22 intended business purpose of Pilchuck Investors, LLC was to short plat a lot on Fox Island,
23 Washington into four separate lots, to build homes on the lots, and to sell the homes for a
24 profit.
25

1 2. Geoff McPherson is a Washington resident and a managing member of Pilchuck
2 Investors, LLC.

3 Offer and Sale of Pilchuck Investors, LLC Promissory Notes and Deeds of Trust

4
5 3. During 2007, Geoff McPherson personally solicited three investors to purchase
6 Pilchuck Investors, LLC promissory notes and deeds of trust, in order to finance the
7 construction of homes for three different lots. Pilchuck Investors, LLC and Geoff McPherson
8 each offered and sold three promissory notes and deeds of trust totaling \$370,000 to three
9 Washington investors. The promissory notes each had a term of three months or less, with
10 annual interest rates ranging from 22% to 32%. The promissory notes were each secured by
11 deeds of trust against specific lots. Pilchuck Investors, LLC and Geoff McPherson each
12 represented that the investors' funds would be used to build homes on the individual lots that
13 secured each promissory note and that Pilchuck Investors, LLC would sell each of the homes
14 for a profit. The investors had no control over the use of their invested funds and the investors
15 did not participate in the business activities of Pilchuck Investors, LLC. The investors were
16 each relying upon Pilchuck Investors, LLC and Geoff McPherson to generate a return on their
17 investment. To date, no homes have ever been built on any of the lots and none of the
18 investments have been repaid.
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20

21 Misrepresentations and Omissions

22
23 4. When offering and selling the Pilchuck Investors, LLC promissory notes and deeds of
24 trust, Pilchuck Investors, LLC and Geoff McPherson each represented that each promissory
25 note was fully secured by the individual lot that was subject to each deed of trust. Pilchuck
Investors, LLC and McPherson each failed to disclose financial information about Pilchuck

1 Investors, LLC and failed to give the investors any financial statements for Pilchuck Investors,
2 LLC. Pilchuck Investors, LLC and Geoff McPherson each failed to disclose title information
3 about the real property that was to secure the investments and failed to give the investors a title
4 insurance policy. Pilchuck Investors, LLC and Geoff McPherson each failed to disclose that
5 each of the lots was subject to a blanket \$975,000 first position deed of trust in favor of
6 Timberland Bank. Pilchuck Investors, LLC and Geoff McPherson each failed to disclose that
7 each of the investors could be subject to significant delays in repayment and that each of the
8 investors could lose their entire investment because Pilchuck Investors, LLC did not have
9 sufficient capital to repay the investments and because the investors did not have adequate real
10 property security for their investments.
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12

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

14 **CONCLUSIONS OF LAW**

15 1. The offer or sale of the investments described above constitutes the offer or sale of
16 a security, as defined in RCW 21.20.005(10) and (12), whether in the form of a note, an
17 investment contract, or an evidence of indebtedness.
18

19 2. Pilchuck Investors, LLC and Geoff McPherson have each violated RCW 21.20.010,
20 the anti-fraud provision of the Securities Act of Washington, by making untrue statements of
21 material fact or by omitting to state material facts necessary in order to make the statements
22 made, in the light of the circumstances under which they were made, not misleading.
23

24 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

25 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
Administrator intends to order, pursuant to RCW 21.20.390(1), that Pilchuck Investors, LLC

1 and Geoff McPherson, and their agents and employees, each shall cease and desist from any
2 violation of RCW 21.20.010.

3 **AUTHORITY AND PROCEDURE**

4 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
5 and is subject to the provisions of chapter 34.05 RCW. The respondents, Pilchuck Investors,
6 LLC and Geoff McPherson, may each make each make a written request for a hearing as set
7 forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR
8 HEARING accompanying this order.
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10 If a respondent fails to make a timely hearing request, the Securities Administrator
11 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to
12 enter a permanent order to cease and desist against that respondent.
13

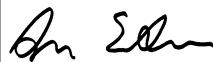
14 Dated and Entered this 29th day of June, 2009

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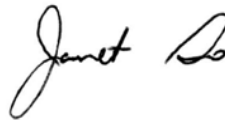
17 MICHAEL E. STEVENSON
18 Securities Administrator

19 Approved by:

20 Presented by:

21
22 

23 Suzanne E. Sarason
24 Chief of Enforcement

25 

Janet So
Financial Legal Examiner

Reviewed by:



Martin Cordell
Financial Legal Examiner Supervisor