

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING ) Order Number S-08-152-09-SC01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE  
) OF INTENT TO ENTER AN ORDER TO  
Private Funding Group NW, LLC; PFG NW, ) CEASE AND DESIST, TO IMPOSE A FINE,  
Inc.; and Melvin Laverne Johnson Jr., ) AND TO CHARGE COSTS  
Respondents )

THE STATE OF WASHINGTON TO: Melvin Laverne Johnson Jr.

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Private Funding Group NW, LLC; PFG NW, Inc.; and Melvin Laverne Johnson Jr., 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 against each to cease and desist from such violations and to charge costs and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

Respondents

1. Private Funding Group NW, LLC (“Private Funding Group”) is a Washington limited liability company that was formed on January 11, 2002. Its principal place of business was located in Bothell, Washington. Private Funding Group originated loans to borrowers and offered and sold notes and deeds of trust and participation interests in notes and deeds of trust

1 to investors. During 2007, Private Funding Group offered and sold \$130,000 worth of  
2 participation interests in a note and deed of trust to two investors.

3 2. PFG NW, Inc. (“PFG”) is a Delaware corporation that was incorporated on December  
4 26, 2001. Its principal place of business was located in Bothell, Washington. PFG originated  
5 loans to borrowers and offered and sold notes and deeds of trust and participation interests in  
6 notes and deeds of trust to investors. From 2004 through 2006, PFG offered and sold more  
7 than \$2,000,000 worth of investments in notes and deeds of trust and participation interests in  
8 notes and deeds of trust to at least seven investors, several of whom were Washington  
9 residents.  
10

11 3. Melvin Laverne Johnson Jr. (“Johnson”) is a Washington resident. Johnson is the sole  
12 member of Private Funding Group NW, LLC and is the President and sole shareholder of PFG  
13 NW, Inc. From at least 1993 through 1999, Johnson was in the business of selling  
14 participation interests in notes and deeds of trust for CLS Financial Services, Inc. and was  
15 registered pursuant to WAC chapter 460-33A as a mortgage paper securities salesperson in the  
16 State of Washington.  
17

18 Internet Website for Private Funding Group

19 4. During 2008, Private Funding Group maintained an Internet website at  
20 [www.pfgnw.com](http://www.pfgnw.com). The website said that “PFG acts like your local bank” and that Private  
21 Funding Group clients “routinely experience yields of 7%-8%...SAFELY.” The website  
22 invited interested persons to call for more information about investments with Private Funding  
23  
24  
25

1 Group. The website failed to provide material information regarding Private Funding Group  
2 Investments, including, but not limited to, information about the company's financial condition  
3 and the risks of the investments.  
4

5 Offer and Sale of Cobahud Investments by Private Funding Group

6 5. During 2007, Johnson personally solicited investments, in the form of participation  
7 interests in a \$150,000 promissory note and deed of trust, from two investors. Johnson and  
8 Private Funding Group each offered and sold two Private Funding Group investments, one for  
9 \$100,000 and one for \$30,000. The investments each had a two-year term and were to pay  
10 12% annual interest. The investments were to be secured by first position deeds of trust  
11 against real property known as Lots 15 and 16 of Cobahud Waterfront Tracts and located in  
12 Skagit County, Washington. To date, the investments have not been repaid.  
13

14 Omissions or Misrepresentations for Private Funding Group Cobahud Investments

15 6. When offering and selling the Cobahud investments, Johnson and Private Funding  
16 Group each represented that the investments were safe and secure. Johnson and Private  
17 Funding Group each failed to disclose that the maker of the promissory note, Park Place  
18 Properties NW, LLC ("Park Place Properties"), was Johnson's wholly-owned company.  
19 Johnson and Private Funding Group each failed to disclose that the real property that ostensibly  
20 secured the investment was leased, but was not owned, by Park Place Properties. Johnson and  
21 Private Funding Group each represented that the investors' funds would be pooled together and  
22 used to build a house on the property, but they failed to disclose that the investors would not  
23 have any real property security interest in the house. Johnson and Private Funding Group each  
24 failed to disclose the ownership and condition of title to the property and they failed to give the  
25

1 investors a title insurance report for the property. Johnson and Private Funding Group each  
2 failed to disclose the financial condition of Park Place Properties and they failed to give the  
3 investors a financial statement for Park Place Properties.  
4

5 Offer and Sale of Participation Interests in the Samimi Note and Deed of Trust

6 7. During 2005, Johnson and PFG each personally solicited investments, in the form of  
7 participation interests in a promissory note and deed of trust, from three investors. Johnson  
8 and PFG each offered and sold three PFG investments, one for \$250,000, one for \$5,000, and  
9 one for \$35,000. The promissory note was from a borrower named Samimi. Johnson and PFG  
10 each represented that the borrower would use the loan proceeds to build a house on real  
11 property located in Sammamish, Washington. Johnson and PFG each represented that the  
12 property securing the note had an appraised value of \$500,000. To date, the investments have  
13 not been repaid and there is no structure on the property.  
14

15 Omissions or Misrepresentations for the Samimi Investments

16 17. When offering and selling the participation interests in the Samimi note and deed of  
18 trust, Johnson and PFG each represented that the investments were safe and secure. Johnson  
19 and PFG each failed to disclose to the investors that the 2005 tax assessed value of the real  
20 property that ostensibly secured the note was only \$50,000. Johnson and PFG each failed to  
21 disclose the ownership and condition of title to the property and they each failed to give the  
22 investors a title insurance report for the property. Johnson and PFG each represented that the  
23 investments would be secured by a first position deed of trust against the property, but Johnson  
24 and PFG each failed to assign any portion of the deed of trust to the investors. Johnson and  
25 PFG each failed to disclose that the entire amount invested could be disbursed without

1 completing or without substantially completing the house that was supposed to secure the  
2 investments. Johnson and PFG each failed to disclose that the investors could lose the entire  
3 amount of their investment.  
4

5 Offer and Sale of the Nielson Note and Deed of Trust

6 9. During 2005, Johnson and PFG personally solicited investments, in the form of a  
7 promissory note and deed of trust, from one investor. Johnson and PFG each offered and sold  
8 two investments totaling \$980,000 from the investor. The investments were each due on  
9 October 1, 2006 and were to pay 12% annual interest. The promissory notes were from a  
10 borrower named Nielson. Johnson and PFG each represented that the loan proceeds would be  
11 used by Nielson to build a commercial building and condominium on Lot 5 of Jewett Avenue  
12 in White Salmon, Washington. Johnson and PFG each represented that the investments would  
13 be secured by first position deeds of trust against the property. Johnson and PFG each  
14 represented that the land securing the investments had an appraised value of \$1,400,000. To  
15 date, the investments have not been repaid and there is no structure on the property.  
16  
17

18 Omissions or Misrepresentations for the Nielson Investments

19 10. When offering and selling the Nielson investments, Johnson and PFG each  
20 represented that the investments were safe and secure. Johnson and PFG each failed to  
21 disclose that the 2005 tax assessed value of the property that secured the investments was only  
22 \$55,000. Johnson and PFG each failed to disclose the ownership and condition of title to the  
23 property and they each failed to give the investors a title insurance report for the property that  
24 was to secure the investments. Johnson and PFG each failed to disclose that the  
25 entire amount invested could be disbursed without completing or without substantially

1 completing the construction project that was supposed to secure the investment. Johnson and  
2 PFG each failed to disclose that the investor could lose the entire amount invested.

3  
4 Registration Status

5 11. Private Funding Group NW, LLC is not currently registered to sell its securities in  
6 the State of Washington and has not previously been so registered.

7 12. PFG NW, Inc. is not currently registered to sell its securities in the State of  
8 Washington and has not previously been so registered.

9 13. From 2004 through 2008, Melvin Laverne Johnson Jr. was not registered as a  
10 securities broker-dealer or a securities salesperson in the State of Washington.

11  
12 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:

13 **CONCLUSIONS OF LAW**

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

19 2. Private Funding Group NW, LLC and Melvin Laverne Johnson Jr. have each violated  
20 RCW 21.20.140 because there is no registration for an offering of Private Funding Group NW,  
21 LLC securities on file with the Securities Administrator.  
22

23 3. Melvin Laverne Johnson Jr. and PFG NW, Inc. have each violated RCW 21.20.140  
24 because there is no registration for an offering of PFG NW, Inc. securities on file with the  
25 Securities Administrator.

1 4. Melvin Laverne Johnson Jr. has violated RCW 21.20.040 by offering or selling  
2 securities while not registered as a securities broker-dealer or securities salesperson in the State  
3 of Washington.

4 5. Private Funding Group NW, LLC; PFG NW, Inc.; and Melvin Laverne Johnson Jr.  
5 have each violated RCW 21.20.010 because, in connection with the offer and sale of securities,  
6 Respondents each made untrue statements of a material fact or omitted to state material facts  
7 necessary in order to make the statements made, in the light of the circumstances under which  
8 they were made, not misleading.  
9

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

11 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and  
12 Conclusions of Law, the Securities Administrator intend to order that Private Funding Group  
13 NW, LLC; PFG NW, Inc.; and Melvin Laverne Johnson Jr., and their agents and employees,  
14 each shall cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW  
15 21.20.140.  
16

17 **NOTICE OF INTENT TO IMPOSE A FINE**

18 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and  
19 Conclusions of Law, the Securities Administrator intends to order that Melvin Laverne  
20 Johnson Jr. shall be liable for and shall pay a fine of \$35,000.  
21

22 **NOTICE OF INTENT TO CHARGE COSTS**

23 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and  
24 Conclusions of Law, the Securities Administrator intends to order that Melvin Laverne  
25 Johnson Jr. shall be liable for and shall pay investigative costs of \$5,000.

1 **AUTHORITY AND PROCEDURE**

2 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW  
3 and is subject to the provisions of chapter 34.05 RCW. The respondents, Private Funding  
4 Group NW, LLC; PFG NW, Inc.; and Melvin Laverne Johnson Jr., may each make a written  
5 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
6 OPPORTUNITY FOR HEARING accompanying this order.  
7

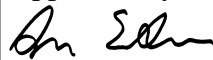
8 If a respondent does not make a timely hearing request, the Securities Administrator  
9 intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to  
10 enter a permanent order to cease and desist as to that respondent, to impose any fines sought  
11 against that respondent, and to charge any costs sought against that respondent.  
12

13 Dated and Entered this 5th day of May, 2009

14  
15 

16 MICHAEL E. STEVENSON  
17 Securities Administrator

18 Approved by:

19 

20 Suzanne E. Sarason  
21 Chief of Enforcement

Presented by:

22 

23 Janet So  
24 Enforcement Attorney

25 Reviewed by:



Martin Cordell  
Financial Legal Examiner Supervisor