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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:

The Investment Management Group, LLC;
Donald Rae Hathaway; and Laura Lynn
Hathaway,

Respondents

Order Number S-08-256-09-CO01

CONSENT ORDER

Pursuant to the Securities Act of Washington, chapter 21.20 RCW, the Securities Division of the Department of Financial Institutions (“Securities Division”) and Respondents, The Investment Management Group, LLC; Donald Rae Hathaway; and Laura Lynn Hathaway, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law stated below.

FINDINGS OF FACT

Respondents

1. The Investment Management Group, LLC (“IMG”) is a Colorado limited liability company that was formed on March 22, 2005. IMG has done business in the State of Washington since at least 2007. IMG is in the business of trying to remodel and re-sell houses for a profit.

2. Donald Rae Hathaway (“Don Hathaway”) is a Washington resident. From at least 2005 through 2007, Don Hathaway was engaged full-time in the business of trying to remodel and sell houses and to develop real estate for a profit in the State of Washington.

1 condominium and that he would be repaid within five months. The investor did not have any control over
2 the use of his invested funds and he was relying upon the Hathaways to generate a profit from the sale of
3 the condominium. To date, the Hathaways and IMG have not repaid the investor for his King Street
4 condominium investment.

5 Investment Documents

6 7. When offering and selling the King Street condominium investment, the Hathaways gave the
7 investor a limited power of attorney dated April 11, 2007 and a “debt acknowledgment” dated April 11,
8 2007 for the condominium remodeling project. Laura Hathaway was the only signer on the power of
9 attorney and the debt acknowledgment. The Hathaways represented that the investor would be fully
10 protected by the documents provided, but the Hathaways did not record any real property security interest
11 to protect the investor.

12 Commercial Real Estate Loans

13 8. On April 16, 2007, the Hathaways each signed a promissory note for \$222,000 to a “hard money”
14 lender in Seattle. On April 19, 2007, the lender recorded a first position deed of trust against the King
15 Street condominium property. On May 11, 2007, the lender recorded a first position deed of trust against
16 the Capitol Hill land. On August 8, 2007, the lender made a \$105,000 loan to the Hathaways. The
17 \$105,000 loan was to be secured by the prior recorded deeds of trust. On October 12, 2007, the lender
18 made a \$36,000 loan to the Hathaways. The \$36,000 loan was to be secured by the prior recorded deeds
19 of trust. On October 14, 2007, the lender made a \$105,000 loan to the Hathaways. The \$105,000 loan
20 was to be secured by the prior recorded deeds of trust. In total, the Hathaways borrowed
21 \$468,000 that was secured by first position deeds of trust against the Capitol Hill land and the King Street
22 condominium.

1 Omissions

2 9. When offering and selling the Capitol Hill land development investment and the King Street
3 condominium remodeling investment, the Hathaways and IMG each failed to disclose the specific
4 intended use of the investor’s funds. The Hathaways and IMG each failed to disclose that the investor
5 would not have a perfected security interest in the real property that was being developed. The Hathaways
6 and IMG each failed to give the investor a promissory note and a deed of trust to secure the investments.
7 The Hathaways and IMG each failed to record real property security interests to protect the investor. The
8 Hathaways and IMG each failed to disclose that the investor could lose the entire amount of both
9 investments due to superior encumbrances against the real property that was being developed.

10 Based upon the above Findings of Fact, the following Conclusions of Law are made:

11 **CONCLUSIONS OF LAW**

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

15 2. The offer and sale of said securities was made in violation of RCW 21.20.010 because
16 Respondents each made untrue statements of material fact or omitted to state material facts necessary in
17 order to make the statements made, in the light of the circumstances under which they were made, not
18 misleading.

19 **CONSENT ORDER**

20 Based upon the foregoing and finding it in the public interest:

1 IT IS AGREED AND ORDERED that Respondents, The Investment Management Group, LLC;
2 Donald Rae Hathaway; and Laura Lynn Hathaway, and their agents and employees, each shall cease and
3 desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

4 IT IS FURTHER AGREED that Respondents, The Investment Management Group, LLC; Donald
5 Rae Hathaway; and Laura Lynn Hathaway, each enter into this Consent Order freely and voluntarily and
6 with a full understanding of its terms and significance.

7 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent Order.

8 IT IS FURTHER AGREED that in consideration of the foregoing Respondents, The Investment
9 Management Group, LLC; Donald Rae Hathaway; and Laura Lynn Hathaway, each waive their rights to
10 a hearing and to judicial review of this matter pursuant to RCW 21.20.440 and ch. 34.05 RCW.

11 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

12 SIGNED this ___24th___ day of _____ May _____, 2009

13
14 Approved for entry by:

15
16 _____
17 Matthew Metz, WSBA # _____
18 Attorney for Respondents

19 Signed by:
20 /s/ Donald Rae Hathaway
21 _____
22 Donald Rae Hathaway

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Signed by:

/s/ Laura Lynn Hathaway

Laura Lynn Hathaway

Signed by:

The Investment Management Group, LLC

By: /s/ Laura Hathaway

Laura Hathaway, Managing Member

SIGNED and ENTERED this 28th day of May, 2009

Michael E. Stevenson

MICHAEL E. STEVENSON
Securities Administrator

Approved by:

Suzanne E. Sarason

Suzanne E. Sarason
Chief of Enforcement

Presented by:

Janet So

Janet So
Enforcement Attorney

Reviewed by:

Martin Cordell

Martin Cordell
Financial Legal Examiner Supervisor