1 STATE OF WASHINGTON DEPARTMENT OF FINANCIAL INSTITUTIONS 2 **SECURITIES DIVISION** 3 IN THE MATTER OF DETERMINING Order Number S-08-367-09-SC01 4 Whether there has been a violation of the Securities Act of Washington by: STATEMENT OF CHARGES AND 5 NOTICE OF INTENT TO ENTER AN DOUGLAS E. BRENTON. ORDER TO CEASE AND DESIST 6 Respondent 7 8 THE STATE OF WASHINGTON TO: **Douglas Brenton** 9 10 STATEMENT OF CHARGES 11 Please take notice that the Securities Administrator of the State of Washington has reason 12 to believe that Respondent, Douglas E. Brenton, has violated the Securities Act of Washington 13 14 and that his violations justify the entry of an order of the Securities Administrator under RCW 15 21,20,390 to cease and desist from such violations. The Securities Administrator finds as 16 follows: 17 TENTATIVE FINDINGS OF FACT 18 19 Respondent and Related Company 20 1. Douglas E. Brenton ("Brenton") is a resident of Vancouver, Washington. 21 2. Brentwood Investments, LLC ("Brentwood") is a Washington limited liability 22 company that was formed by Brenton on July 1, 2004 and was operated and managed by 23 Brenton. Brentwood was in the business of remodeling and reselling houses for a profit. 24 Brentwood made a Regulation D, Rule 506 filing with the Washington Securities Division on 25 August 2, 2004 for a \$2,000,000 offering of limited liability company membership interests.

Offer and Sale of a Promissory Note and Deed of Trust Investment

3. During 2007, Brenton offered and sold a \$150,000 promissory note and deed of trust investment to a Washington investor. The investor was introduced to Brenton by a mutual friend, but the investor had no prior relationship with Brenton. The investor had originally been interested in purchasing a limited liability company interest in Brentwood. However, after talking to Brenton, the investor decided to purchase the Brenton promissory note and deed of trust investment.

4. Brenton represented to the investor that the investor's funds would be used to remodel and resell a house located at 17111 NE 3rd Street in Vancouver, Washington. Brenton gave the investor a \$150,000 promissory note from Brenton and his wife. Brenton represented that the promissory note would be secured by a \$150,000 second position deed of trust against a house owned by Brenton and his wife. The note had an annual interest rate of 12% and was due within approximately 90 days. Brenton also represented to the investor that Brenton would pay a \$4,500 loan fee when the investment came due. The investor had no control over the use of the invested funds and the investor was relying upon Brenton to generate a return on the investment and to pay on the note. To date, the investment has not been repaid.

Misrepresentations and Omissions

5. When offering and selling the note, Brenton gave the investor an altered title insurance policy commitment letter that did not disclose all of the existing liens against the property that was purported to secure the investment. Brenton failed to disclose that in addition to a \$292,500 first position deed of trust, Brenton had already granted a second position deed of trust for \$440,000 against the property. The 2007 tax assessed value of the

property was \$486,400 and had the investor known about the \$440,000 second position deed of trust, the investor would never have invested with Brenton.

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

CONCLUSIONS OF LAW

- 1. The offer and sale of the investment described above constitutes the offer and sale of a security, as defined in RCW 21.20.005(10) and (12), whether in the form of a note, an investment contract, or an evidence of indebtedness.
- 2. The offer and sale of said security was made in violation of RCW 21.20.010 because when offering and selling the security, Respondent, Brenton, made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST

Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent, Douglas E. Brenton, and his agents and employees, each shall cease and desist from any violation of RCW 21.20.010.

AUTHORITY AND PROCEDURE

This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the provisions of chapter 34.05 RCW. The respondent, Douglas E. Brenton, may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

1	If the respondent fails to make a timely hearing request, the Securities Administrator	
2	intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to	
3	enter a permanent order to cease and desist against the respondent.	
4	Dated and Entered this 8 th day of September, 2009	
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7		Guidael Z, Stevenson
9		MICHAEL E. STEVENSON Securities Administrator
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