

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

4 IN THE MATTER OF DETERMINING) Order No.: S-09-231-14-FO01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
7) OF LAW AND FINAL ORDER TO CEASE AND DESIST,
8 SCI Funding Group, LLC; Scott Campbell; John) TO IMPOSE A FINE, AND TO CHARGE COSTS, AS TO
9 Tate,) SCI FUNDING GROUP LLC AND SCOTT CAMPBELL
10)
11 Respondents.)

12 **INTRODUCTION**

13 On February 28, 2014, the Securities Administrator of the state of Washington issued Statement of Charges
14 and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines and to Charge Costs S-09-231-14-SC01
15 (“Statement of Charges”). The Statement of Charges, together with a Notice of Opportunity to Defend and
16 Opportunity for Hearing (“Notice of Opportunity for Hearing”) and an Application for Adjudicative Hearing
17 (“Application for Hearing”), were served on Respondents, SCI Funding Group, LLC and Scott Campbell, on March 6,
18 2013. The Notice of Opportunity for Hearing advised Respondents, SCI Funding Group, LLC and Scott Campbell,
19 that a written application for an administrative hearing on the Statement of Charges must be received within twenty
20 days from the date of receipt of the notice. Respondents, SCI Funding Group, LLC and Scott Campbell, failed to
21 request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of
22 Opportunity for Hearing, either on the Application for Hearing provided, or otherwise.

23 The Securities Administrator therefore will adopt as final the following Findings of Fact and Conclusions of
24 Law as set forth in the Statement of Charges and enter a final order against the Respondent to cease and desist from
25 violations of the Securities Act.

The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

Respondents

1. SCI Funding Group, LLC (“SCIFG”) is an inactive Washington limited liability company with its former
principal place of business in Bellevue, Washington. During the relevant time period, SCIFG was in the business of

1 financing and servicing construction loans.

2 2. Scott Campbell (“Campbell”) is a Washington resident and the sole member of SCIFG.

3 3. John Tate (“Tate”) is a Washington resident and was an independent contractor working on behalf of SCIFG.

4 Respondents falsely identified Tate as a member of SCIFG in documents provided to investors and loan purchasers.

5 Other Persons

6 4. Roger O’Connell (“O’Connell”) controls multiple entities that purchased interests in loans from SCIFG.

7 5. Bennett Williams (“Williams”) controls multiple entities that purchased interests in loans from SCIFG.

8 Nature of the Offering

9 6. Between 2004 and 2008, Respondents offered and sold to at least 6 Washington investors over \$1 million of
10 investments linked to the profits from loans financed and serviced by SCIFG.

11 Background of SCIFG’s Construction Loan Business

12 7. From 1997 to 2004, Tate worked as a vice president for Partners Mortgage Corporation (“PMC”). While
13 working for PMC, Tate became acquainted with mortgage brokers, as well as with individuals who were in the
14 business of purchasing loans – namely, O’Connell and Williams. PMC was the subject of regulatory and legal actions,
15 including an enforcement action entered by the Securities Administrator for violations of the Securities Act of
16 Washington (Case No. S-04-245). PMC also filed for bankruptcy in 2003 and its investors suffered significant losses.

17 8. In 2004, Campbell hired Tate as an independent contractor to turn SCIFG into a business that originated, sold,
18 and serviced construction loans. Campbell and Tate agreed to equally split the profits from loan servicing fees and
19 interest paid to SCIFG.

20 9. Essentially, SCIFG’s business activities involved finding borrowers, originating borrowers’ loans, and selling
21 the loans to entities controlled by O’Connell and Williams. Because O’Connell and Williams were the loans’ primary
22 funding source, SCIFG originated loans only after O’Connell and Williams approved the borrower, approved the loan
23 terms, and agreed to purchase a majority interest in the loan from SCIFG.

24 10. Upon acceptance of the loan terms, a borrower typically assigned SCIFG the entire interest in a first position
25 deed of trust. At that time, SCIFG typically completed the sale of the loan and assigned a percentage of its deed of

1 trust position to each of various entities controlled by O'Connell and Williams. Often, SCIFG retained no interest in
2 the deed of trust. Still, SCIFG retained an interest in the loan fees, points paid at loan origination, and a portion of the
3 borrower's interest payments.

4 Offer and Sale of Investments

5 11. In some instances, O'Connell and Williams funded only a portion of a loan while SCIFG funded the
6 remainder. In such cases, borrowers still assigned SCIFG the entire interest in a first position deed of trust. However,
7 SCIFG then reassigned a portion of the deed of trust to itself in addition to the O'Connell and Williams entities. It was
8 in these cases that Respondents sought funds from investors.

9 12. To find investors, Tate and Campbell called on their friends and family. At least 6 Washingtonians
10 collectively invested over \$1 million with SCIFG.

11 13. To solicit investment in SCIFG, Respondents offered prospective investors a 10.25% return on investments
12 linked to the construction loans that SCIFG financed and serviced. When soliciting investors, Respondents created
13 and distributed a document that briefly identified the terms of the investment, the property securing the construction
14 loan, and the terms of the loan agreement. Respondents also told investors that they would share in profits from the
15 loans. SCIFG promised to pay investors as borrowers made loan payments. Typically, such payments were scheduled
16 monthly, with a large balloon payment at the end of a one- or two-year financing period. To evidence the investment,
17 Respondents initially provided an investor with a "Loan Pledge and Servicing Agreement." However, Respondents
18 also periodically rolled over an investor's proceeds into another investment without giving the investor additional
19 documentation.

20 14. In addition to pledging a portion of loan profits, Respondents falsely told at least four investors that their
21 investments would be secured by deeds of trust or real property. Tate also represented to at least two investors that the
22 investment had very little risk or was safe. Tate further represented to at least one investor that, in the worst case, the
23 investor would be second in line to collect a return on his investment. Contrary to Respondents' representations, these
24 investors' funds remained unsecured.

15. In 2009, SCIFG became inactive. By that time, many of SCIFG's borrowers stopped making loan payments. At this stage, SCIFG typically reconveyed its deed of trust position to the borrower or reassigned its deed of trust position to another O'Connell and Williams entity. This reassignment facilitated a trustee's sale of the borrower's property. Despite the trustee's sales and reconveyances, SCIFG failed to repay at least 6 investors.

Misrepresentations and Omissions

16. Respondents failed to provide material information to investors including information concerning SCIFG's financial condition, the nature and value of SCIFG's debt and assets, the registration status of SCIFG's securities and salespersons, and risks associated with the investment.

17. Respondents failed to disclose to prospective investors John Tate's former affiliation with Partners Mortgage Corporation and the regulatory and legal actions taken against Partners Mortgage Corporation.

18. Respondents misrepresented the status of John Tate as a member of SCIFG.

19. Respondents misled some investors by telling them that their investments would be secured by deeds of trust or real property, as described in paragraph 14 above.

20. John Tate's worst case scenario and risk representations, as described in paragraph 14 above, were misleading. Tate failed to provide a reasonable basis for the representations.

Registration Status

21. Respondent, SCI Funding Group, LLC, is not currently registered to sell its securities in the state of Washington and has not previously been so registered. There is no notification of exemption on file with the state of Washington.

22. Respondent, Scott Campbell, is not registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

23. Respondent, John Tate, is not registered as a securities salesperson or broker-dealer in the state of Washington and has not previously been so registered.

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

CONCLUSIONS OF LAW

1. The offer or sale of investments linked to loan financing and servicing profits as described above constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

2. Scott Campbell violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

3. The offer and/or sale of said securities is in violation of RCW 21.20.140 because no registration for such an offer and/or sale is on file with the Securities Administrator, state of Washington.

4. The offer and/or sale of said securities were in violation of RCW 21.20.010 because Respondents 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.

FINAL ORDER

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

IT IS HEREBY ORDERED that the Respondents, SCI Funding Group, LLC and Scott Campbell, their agents and employees each shall cease and desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the Securities Act of Washington requiring registration.

IT IS FURTHER ORDERED that the Respondents, SCI Funding Group, LLC and Scott Campbell, their agents and employees each shall cease and desist from violating RCW 21.20.040, the broker-dealer and securities salesperson registration section of the Securities Act of Washington.

IT IS FURTHER ORDERED that the Respondents, SCI Funding Group, LLC and Scott Campbell, their agents and employees each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that the Respondent Scott Campbell shall be liable for and pay a fine in the amount of \$10,000.

IT IS FURTHER ORDERED that the Respondent Scott Campbell shall be liable for and pay costs in the amount of \$5,000.

AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this Order may be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

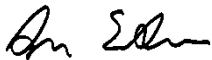
SIGNED and ENTERED this 28th day of March 2014.



William M. Beatty
Securities Administrator

Approved by:

Presented by:



Suzanne Sarason
Chief of Enforcement

Drew Stillman
Financial Legal Examiner

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor