

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:

Bradley T. Carlson,
Respondent.

SDO - 23 - 99

STATEMENT OF CHARGES AND NOTICE
OF INTENTION TO ENTER ORDER TO
CEASE AND DESIST

Case No. 98-08-246

THE STATE OF WASHINGTON TO: BRADLEY T. CARLSON
2518 175th NE
REDMOND, WA 98052

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Bradley T. Carlson ("Carlson"), has violated the Securities Act of Washington and that his violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

RESPONDENT

1. Carlson was a member and Treasurer of the MIG Fund ("MIG" a/k/a Monkey Investment Group), a private investment club, from the inception of MIG on April 9, 1996 until his resignation on July 28, 1998.
2. As Treasurer for MIG, Carlson received MIG's account statements from Towne Bank and Charles Schwab ("Schwab"). Carlson also had the responsibility of making monthly financial reports to MIG, co-signing MIG's checks and making the securities transactions, as instructed by MIG group vote.

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2 **NATURE OF CARLSON'S CONDUCT**

3 3. Carlson misappropriated funds from MIG by forging the required co-signatures on checks. Thereafter,
4 Carlson failed to make many of the authorized securities purchases for MIG since it had insufficient funds to cover the
5 purchases. Carlson then covered up those actions by preparing false financial statements for presentation to the other MIG
6 members.

7 4. Beginning on July 14, 1996 and continuing through July 3, 1998, Carlson used checks drawn on MIG's
8 bank account with Towne Bank to make a series of seventeen withdrawals, totaling \$7,600 and deposited those funds to
9 his own personal bank account at the Seattle Postal Employees Credit Union.

10 5. MIG had not authorized these payments to Carlson.

11 6. The required co-signature on each check was forged.

12 7. In order to conceal his misuse of MIG funds, Carlson submitted false reports to MIG. He falsely claimed
13 to have purchased, for MIG's account, securities whose purchase had been authorized by MIG group vote.

14 8. On September 3, 1997 MIG authorized the purchase of 100 shares of United Security Bank ("USBN").
15 MIG already owned 100 shares of USBN. Carlson failed to execute the transaction and then falsely reported the purchase
16 to MIG, on the financial report dated September 30, 1997, which showed MIG owning a total of 200 shares of USBN,
with an additional 100 shares having been purchased at a cost of \$1,689.73.

17 9. On September 30, 1997 MIG authorized the purchase of 100 shares of Unimar ("UMR"). Carlson failed
18 to execute the transaction as instructed, but beginning with the November 5, 1997 financial statement and on each
19 monthly financial report thereafter, Carlson falsely represented that MIG had purchased 100 shares of UMR at a cost of
20 \$503.98.

21 10. On January 7, 1998 MIG authorized the purchase of 200 shares of Plasma Thermotech, Inc. Carlson
22 failed to purchase all 200 shares. In the financial report dated February 4, 1998 Carlson falsely represented that MIG had
23 purchased 200 shares at a cost of \$1,268.50.

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1 11. On or about February 10, 1998 a stock dividend of 10 shares of USBN was paid to shareholders for each
2 100 shares owned. MIG held 100 shares and therefore received a dividend of 10 shares. In the financial report dated
3 March 4, 1998, Carlson falsely reported that MIG had received 20 shares as a share dividend.

4 12. On April 8, 1998 MIG authorized the purchase of 60 shares of Bank of Commerce ("BCOM"). Carlson
5 failed to purchase the BCOM shares. In the May 5, 1998 treasurer's report he falsely showed that MIG had purchased 60
6 shares of BCOM at a cost of \$1,139.75.

7 13. On or about July 28, 1998 Carlson gave the members of MIG his resignation letter in which he admitted
8 misappropriating funds, failing to purchase stocks as instructed and falsifying records to cover up those actions. In his
9 resignation letter Carlson stated that MIG's account was worth \$2,647.74, as of July 28, 1998. He stated that MIG's
10 account would have been worth \$15,411.43 if he had not misappropriated MIG funds and had executed MIG stock
11 purchases as he had been instructed to do.

12 14. On or about August 21, 1998, Carlson's relatives gave MIG \$12,763.58 as compensation for the funds
13 taken by Carlson.

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

15 CONCLUSIONS OF LAW

16 15. The transactions described in paragraphs 8 through 12 above constitute the offer, sale and/or purchase of
17 a security as defined in RCW 21.20.005(10) and (12) to wit: stock.

18 16. Carlson's actions described in paragraphs 3 through 12 above violate RCW 21.20.010 because they were
19 done in connection with securities transactions and operated as a fraud or deceit upon MIG and its members.

20 AUTHORITY AND PROCEDURE

21 This STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND
22 DESIST is entered pursuant to the provisions of RCW 21.20.390, and is subject to the provisions of ch. 34.05 RCW. The
23 respondent, Bradley T. Carlson, may make a written request for a hearing as set forth in the NOTICE OF

24 STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND
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1 OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If Respondent does
2 not request a hearing within 20 days of receiving notice, the Securities Administrator will enter a final order adopting the
3 above Tentative Findings of Fact and Conclusions of Law as final and ordering the Respondent to cease and desist from
4 violations of RCW 21.20.010.

5 DATED this _____ day of April 1999.

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7 _____
8 DEBORAH R. BORTNER
9 Securities Administrator

10 Presented by:

11 _____
12 Kristina L. Kneip
13 Securities Examiner

14 Approved by:

15 _____
16 Michael E. Stevenson
17 Chief of Compliance

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