

1 **Injunction**

2 It is AGREED AND ORDERED that Respondent Pacific West Securities, Inc., their officers, directors,
3 subsidiaries, successors, and employees and agents with compliance responsibilities (collectively, "Pacific
4 West"), shall reasonably supervise its registered securities salespeople as required by RCW 21.20.110(1)(j).

5 **Action on Registrations**

6 It is further AGREED AND ORDERED that pursuant to RCW 21.20.110, Respondent Elderkin's
7 securities salesperson and investment adviser representative registrations shall be, and hereby are, revoked.
8 Elderkin may apply for registration as a broker/dealer, securities salesperson, investment adviser, or
9 investment adviser representative, no earlier than ten (10) years from the date of entry of this Order, and
10 must meet the then-existing registration requirements, including qualification by examination.

11 It is further AGREED AND ORDERED that for a period of ten (10) years from the date of entry of this
12 Order, Respondent Elderkin shall neither be employed by nor associated with a broker-dealer or investment
13 adviser in any capacity which involves acting as a principal or any aspect of supervision or compliance,
14 including, but not limited to the formulation and/or implementation of policies and/or procedures related
15 thereto without the express written permission of the Securities Administrator of the State of Washington.
16 The Securities Division shall notify the National Association of Securities Dealers of this prohibition.

17 **Independent Consultant**

18 It is further AGREED AND ORDERED that Respondent Pacific West shall revise and update its
19 supervisory and compliance policies, procedures, and systems in conformity with the Final Report of the
20 Independent Consultant as outlined below.

21 Within 30 days of the entry date of this Order, Respondent Pacific West shall retain at its expense an
22 Independent Consultant ("the Consultant") not unacceptable to the Division. The Consultant shall conduct a
23 review of Pacific West's supervisory and compliance policies, procedures, and systems. Within 120 days of

1 the entry date of this Order, the Consultant shall prepare and submit to Pacific West and to the Division a
2 Draft Report. The Draft Report shall describe the review performed, list the conclusions reached, and make
3 recommendations to ensure Pacific West's supervisory and compliance policies, procedures, and systems
4 meet or exceed existing statutory and regulatory requirements. The scope of the review and
5 recommendations shall include but not be limited to the areas identified in Attachment B to this Order,
6 "Scope of Review", incorporated herein by reference.

7 Within 30 days of receipt of the Draft Report, Pacific West shall prepare a written response advising the
8 Consultant and the Division of the draft recommendations that it has determined to accept, and the draft
9 recommendations it considers unnecessary or inappropriate. Pacific West may propose alternative
10 procedures for the any draft recommendation it considers unnecessary or inappropriate.

11 Within 30 days of receipt of Pacific West's response, the Division shall prepare a written reply advising
12 the Consultant and Pacific West of any of the draft recommendations it considers mandatory, any additional
13 recommendations it considers mandatory, and responding to any alternatives proposed by Pacific West.

14 The Consultant, the Division, and Pacific West shall work in good faith to identify and select final
15 recommendations designed to ensure that Pacific West's supervisory and compliance policies, procedures,
16 and systems meet or exceed existing statutory and regulatory requirements. In the event that the Consultant,
17 Pacific West, and the Division are unable to agree on a recommended procedure or an alternative within 30
18 days, Pacific West shall abide by the determination of the Division.

19 Within 30 days of receipt of the Division's reply, the Consultant shall prepare and submit to Pacific West
20 and the Division a Final Report containing the final recommendations. Within 30 days of receipt of the
21 Final Report, Pacific West shall adopt the recommendations of the Consultant and advise the Consultant and
22 the Division in writing of the recommendations it is adopting.

1 Pacific West shall take all necessary and appropriate steps to implement the recommendations contained
2 in the Consultant's Final Report. No later than one year after the entry date of this Order, and annually for
3 four years thereafter, Pacific West shall submit to the Division an affidavit setting forth the details of its
4 efforts to implement the Consultant's recommendations and its compliance with them.

5 For the period of its engagement with the Consultant, and for a period of two years following the
6 completion of said engagement, Respondents shall not enter into any other employment, consultant,
7 attorney-client, auditing, or other professional relationship, directly or indirectly, with the Consultant or
8 with any person engaged to assist the Consultant. None of the work conducted by the Consultant, including
9 the review and preparation of Reports, shall be subject to any claim of privilege by Pacific West.

10 For good cause shown and upon timely application by the Consultant, the Division may extend any of
11 the deadlines set forth in this section.

12 **Costs, Fines, and Other Payments**

13 It is further AGREED AND ORDERED that Respondents shall be jointly and severally liable for and
14 shall pay the Division the amount of Eighty Thousand Dollars (\$80,000) for its examination costs and
15 reimbursement of its costs in the investigation and prosecution of this matter.

16 It is further AGREED AND ORDERED that Respondents shall be jointly and severally liable for and
17 shall pay the Division a fine of Eighty Thousand Dollars (\$80,000). Forty Thousand Dollars (\$40,000) of
18 that amount shall be suspended contingent upon future compliance with this Consent Order. In the event
19 that Respondents fail to comply with the terms and provisions of this Consent Order, the suspended portion
20 of the fine shall be immediately due and payable.

21 The total of One Hundred Twenty Thousand Dollars (\$120,000) in costs and fines is to be paid to the
22 Division prior to the entry of this Order, and shall be (a) made by U.S. postal money order, certified check,
23 bank cashier's check, or bank money order; (b) made payable to the Washington State Treasurer; (c)

1 delivered by certified mail to Deborah R. Bortner, Securities Administrator, Department of Financial
2 Institutions, PO Box 9033, Olympia, Washington 98507-9033; and (d) submitted with a cover letter that
3 identifies this matter by caption, order number, and case number.

4 **Examinations**

5 It is further AGREED that for a period of five (5) years, Respondent Pacific West Securities, Inc. shall
6 be subject to examinations by the Division on at least an annual basis, with an initial oversight exam to be
7 conducted no later than fourteen months after the entry date of this Order.

8 **Consideration**

9 It is further AGREED that no portion of this Consent Order shall be construed to affect or limit in any
10 way, nor shall it be admissible to establish, the rights of any person as set forth in the provision for civil
11 liabilities contained in RCW 21.20.430.

12 It is further AGREED that Respondents shall make a voluntary donation to the Investor Protection Trust
13 in the amount of Ten Thousand Dollars (\$10,000). Said payment is to be paid to the Trust prior to the entry
14 of this Order, and shall be (a) made by U.S. postal money order, certified check, bank cashier's check, or
15 bank money order; (b) made payable to the Investor Protection Trust; (c) delivered by certified mail to
16 Maureen Thompson, Co-Director, Investor Protection Trust, 1901 North Fort Meyer Drive, Suite 1012-
17 1014, Arlington, Virginia 22202; and (d) submitted with a cover letter that identifies this matter by caption,
18 order number, and case number. A copy of the check and cover letter shall be delivered by certified mail to
19 Deborah R. Bortner, Securities Administrator, Department of Financial Institutions, PO Box 9033, Olympia,
20 Washington 98507-9033.

21 It is further AGREED that Respondents shall bring no actions or claims of any kind whatsoever against
22 the State of Washington, the Department of Financial Institutions, the Securities Division, or the employees
23

1 of these agencies, arising from either 1) the facts and allegations underlying SDO-005-01 or 2) the terms of
2 this Consent Order.

3 It is further AGREED that in consideration of the foregoing, Respondents withdraw their request for a
4 hearing and waive their right to a hearing on this matter and to judicial review of this Order under RCW
5 21.20.440 and Chapter 34.05 RCW. The Division vacates Statement of Charges SDO-005-01 as to
6 Respondents except to the extent that the Tentative Findings of Fact and the Conclusions of Law have been
7 incorporated herein.

8 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

9 SIGNED this ____ day of May 2002.

10 Signed by:

Approved as to form by:

11 _____
12 Lorretta N. Elderkin, Individually and as
13 President of Pacific West Securities, Inc.

14 _____
15 Martin T. Crowder, Esq., WSBA # 2140

16 _____
17 Mike Liles, Jr., Esq., WSBA # 1365
18 Karr, Tuttle, Campbell
19 Attorneys for Pacific West Securities, Inc. and
20 Lorretta N. Elderkin

21 ENTERED this 17th day of May 2002.

22 

23 DEBORAH R. BORTNER, WSBA #11300
24 Securities Administrator

25 Approved by:

Presented by:

26 _____
27 Michael E. Stevenson, WSBA #4875
28 Chief of Enforcement

29 _____
30 Anthony W. Carter, WSBA #29578
31 Securities Examiner