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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:

NU WEST, INC., GEORG E. FREY, and
DONALD W. JONES,

Respondents.

SDO - 87 - 00

SUMMARY ORDER TO CEASE AND DESIST

Case No. 96 - 10 - 332

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THE STATE OF WASHINGTON
TO:

NU WEST, INC.
GEORG E. FREY
DONALD W. JONES

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STATEMENT OF CHARGES

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Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Nu West, Inc., Georg E. Frey, and Donald W. Jones have each violated the Securities Act of Washington and that their violations justify the entry of an order against each by the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to investors and to the public, and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

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TENTATIVE FINDINGS OF FACT

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I. Respondents

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1. Nu West, Inc. (Nu West) is an active Washington for-profit corporation authorized to do business September 21, 1990. Nu West does business at Building Six, Suite 100, 2125 112th Ave NE,

SUMMARY ORDER TO CEASE AND
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1 Bellevue, Washington 98004. Nu West arranges for and provides financing of commercial and residential
2 real estate purchases, construction, and remodels. Once a borrower has requested a loan, Nu West locates
3 investors willing to finance the loan and brokers the transaction.

4 2. Georg Eric Frey (Frey) is the President of Nu West. Respondent Frey is married to Michelle
5 A. Frey, and all acts done by him were done on behalf of the marital community. The Freys reside at 20235
6 SE 19th Street, Issaquah, Washington.

7 3. Donald William Jones (Jones) registered as a sole proprietor with the State of Washington on
8 June 30, 1994. Jones works for Nu West as an independent contractor in the capacity of Loan and
9 Investment Officer. Prior to working for Nu West Jones was a registered Principal, Representative, and
10 Compliance officer for Kochcapital, Inc. While with that firm Jones was the subject of two enforcement
11 actions brought by the NASD. Respondent Jones is married to Sheryl E. Jones, and all acts done by him
12 were done on behalf of the marital community. The Jones reside at 15212 SE 175th Place, Renton,
13 Washington.

14 **II. Offer and Sale of Securities**

15 4. From 1991 to the present Nu West has been offering and selling "mortgage paper" securities
16 in the form of fractional interests in promissory notes secured by deeds of trust. In the mid-1990's Nu West
17 and Jones placed advertising in the local daily newspapers, including the Seattle Post Intelligencer and
18 Seattle Times. Nu West has also placed radio advertising with local news radio stations. The
19 advertisements offered investors the opportunity to invest in high-yield fully secured deed of trust
20 investments. Investors who responded to the advertisements in the mid-1990's were sent a brochure
21 describing the Nu West investment opportunity and a document titled "Executive Summary" which
22 described an available loan proposal. Nu West currently advertises in the Greater Eastside U.S. West
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1 directory under the heading "Investment Securities." Callers responding to the advertisement are told about
2 the investment opportunity and can obtain a sample Executive Summary.

3 5. The brochure that was used in the mid-1990's, titled "Questions and Answers on Deed of
4 Trust Investing," describes Nu West's investments as safe, short-term, high yield investments secured by
5 real estate liens. Nu West claimed to originate these loans and to prepare a loan package for investors to
6 review. The "Executive Summary" that is currently used provides a brief property description, the loan
7 amount requested, discloses the interest rate and fee paid to the lender, and identifies the borrower. In most
8 cases the investment is represented to be secured by a first-position DOT on the property, with interest-only
9 payments being due from the borrower. An appraised value, loan to value percentage, and "collateral
10 surplus" amount is also disclosed.

11 6. Investors who indicate an interest in investing in the property described in the Executive
12 Summary are sent an escrow agreement from Jones or Frey. The agreement identifies the name of the
13 borrower and the property securing the loan, identifies the investor's proportionate interest in the deed of
14 trust and promissory note signed by the borrower, and names Nu West as the escrow agent that will hold the
15 funds in trust until the full loan amount is received. No disclosures concerning the risk of the particular
16 investment are made. The borrowers' credit history, employment history, and payment history are not
17 disclosed. The appraised value of the property is not obtained or disclosed. The title history of the property
18 is not reviewed or disclosed.

19 7. The investor, referred to as a "Proportionate Assignee" in the Escrow Agreement, agrees to
20 deposit a specific amount of money in the loan escrow account. By doing so investors obtain the right to
21 receive a proportionate monthly interest payment from Nu West. Nu West agrees to provide investors with
22 the original documents, the note to be endorsed to the lender "and other assignees," together with other
23 documents required to perfect the investors interest. Section 7 of the escrow agreement provides that the
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1 investor is relying on the "information, representations, and warranties" made by Nu West, and states that
2 Nu West does not guarantee payment by the borrower. In section 8 Nu West is authorized by the investor to
3 enforce the note on the investors' behalf.

4 8. Investors are instructed to return the signed escrow agreement, along with their checks, to Nu
5 West. Investors have a choice as to how they receive the points they are getting from the borrower.
6 Investors can send Nu West their full proportionate interest and receive the points charged the borrower
7 when the loan is paid off, or send their proportionate interest less the points. Once sufficient investors are
8 found to finance the loan, and the documents evidencing the loan are recorded, the funds are released from
9 escrow to the borrower. The borrower makes the interest-only payments to Nu West, which in turn
10 distributes the money to the "Proportionate Assignees."

11 9. When a borrower's note becomes due, borrowers have the option of extending the note for
12 additional points. Investors are paid those points either at the time the note is extended or when the note is
13 paid off.

14 10. Contrary to the representations in the brochure, investors are not provided with a complete
15 document package detailing the borrowers' credit and all other aspects of the transaction. Once an investor
16 has established a relationship with Nu West, the only disclosures they are provided are those on the
17 Executive Summary they receive. None of the disclosures required by WAC 460.33A.025 and .030 are
18 made.

19 11. None of the Respondents is registered with the Securities Division to offer or sell mortgage
20 paper securities.
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1 The Securities Administrator finds that the continued offering of securities by Respondents in the
2 manner described in the Tentative Finding of Fact violates the registration and anti-fraud provision of the
3 Securities Act of Washington and presents a threat to the investing public and that an emergency exists.

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

5 **CONCLUSIONS OF LAW**

6 **Offer and Sale of Securities**

7 The offer and/or sale of mortgage paper securities in the form of fractional interests in promissory
8 notes secured by deeds of trust as described above constitutes the offer and/or sale of securities as defined in
9 RCW 21.20.005(10) and (12) and by WAC 460.33A.015(4).

10 **Violation of RCW 21.20.140**

11 The offer and/or sale of said securities by Respondents violate RCW 21.20.140 because the offers
12 and sales were not registered in Washington.

13 **Violation of RCW21.20.010**

14 Respondents have each violated RCW 21.20.010 (2) in connection with the offer and/or sale of
15 securities by omitting facts necessary in order to make their statements, in light of the circumstances in
16 which they were made, not misleading.

17 **Violation of RCW21.20.040**

18 The offer and/or sale of securities by Nu West, Inc. violated RCW 21.20.040 because Nu West,
19 Inc. was not registered as a securities broker-dealer in Washington. The offer and/or sale of securities by
20 Frey and Jones violated RCW 21.20.040 because they were not registered as securities salespersons in
21 Washington.
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Emergency

Based upon the foregoing, the Securities Administrator finds that an emergency exists, and that Respondents' continued violations of RCW 21.20.140 and RCW 21.20.010 constitute a threat to the investing public. The Securities Administrator further finds that summary orders to cease and desist from those violations are in the public interest and necessary for the protection of the investing public.

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SUMMARY ORDER

Based on the foregoing, IT IS HEREBY SUMMARILY ORDERED that Respondents, their agents, and employees each cease and desist from offering and/or selling securities in violation of RCW 21.20.140, the registration section of the Securities Act of Washington.

It is further SUMMARILY ORDERED that Respondents, their agents, and employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

It is further SUMMARILY ORDERED that George E. Frey and Donald W. Jones each cease and desist from violation of RCW 21.20.040, the securities salesperson registration section of the Securities Act of Washington.

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AUTHORITY AND PROCEDURE

This Order is entered pursuant to RCW 21.20.390, and is subject to the provisions of Chapter 34.05 RCW. Respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

If a Respondent does not request a hearing, the Securities Administrator intends to adopt the Tentative Findings of Fact and Conclusions of Law set forth above as final and make the Summary Order to Cease and Desist permanent as to that Respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

DATED this 25th day of October, 2000.



DEBORAH R. BORTNER
Securities Administrator

Approved by:

Presented by:

Michael E. Stevenson
Chief of Enforcement

Anthony W. Carter
Securities Examiner

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