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STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

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IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

Cyril W. Randell and  
Cyril W. Randell & Associates, Inc.

Respondents

SDO 98 - 28

4004099

CONSENT ORDER

Case No: 97-10-469

THE STATE OF WASHINGTON TO:

Cyril W. Randell  
Cyril W. Randell & Associates

002651  
1000

The Securities Division of the Department of Financial Institutions has conducted an investigation into alleged violations of the Securities Act of Washington by Respondents Cyril W. Randell and Cyril W. Randell & Associates, Inc. The results of this investigation are set forth below under the headings "Tentative Findings of Fact" and "Conclusions of Law". Having been advised of the investigation, upon advice of counsel, for purposes of resolving this matter without further action by the Securities Division, and without incurring additional expense in defending this action, Respondents hereby agree to the entry of the Consent Order set forth below.

TENTATIVE FINDINGS OF FACT

I.

Cyril W. Randell is the owner and manager of Cyril W. Randell & Associates, Inc.

II.

Cyril W. Randell & Associates, Inc. is a Washington corporation engaged in the business of originating and acquiring loans secured by real property. Its principal place of business is in Bothell, Washington.

CONSENT ORDER

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

## 1 III.

2 Respondents broker loans. A typical loan transaction consists of money given to a borrower in exchange  
3 for a promissory note secured by a deed of trust on the borrower's real property. All notes and deeds of trust run  
4 in favor of Cyril Randell & Associates, Inc.

## 5 IV.

6 To fund these transactions, Respondents sell partial interests ("participations") in the underlying loan  
7 documents to individual investors. Investors then purchase an interest in a particular loan by signing an  
8 agreement and tendering payment to Respondents.

## 9 V.

10 Respondents perform all significant services relating to the participation loans on behalf of the investors.  
11 They locate borrowers, decide upon their creditworthiness, obtain valuations of property, prepare necessary  
12 paperwork, and record documents of title. As compensation for their services, Respondents charge borrowers a  
13 fee at closing equal to 10% of the loan amount.

## 14 VI.

15 After closing, Respondents act as the investors' agent in servicing the loans. They collect payments from  
16 borrowers and remit them to each investor in proportion to his or her fractional share of the underlying loan  
17 transaction. Respondents retain possession of all original loan documents and, if necessary, agree to institute  
18 foreclosure proceedings on behalf of the investors.

## 19 VII.

20 Respondents advertised their participation loans in several publications available to the general public. In  
21 one advertisement, Respondents promised to pay investors a 14% annual return and invited interested parties to  
22 inquire about their program by calling a toll-free telephone number.

## VIII.

1  
2 There are 63 current investors in Respondents' loan program and approximately \$4,000,000 worth of  
3 participation loans currently outstanding. The majority of the investors are residents of Washington state.

## IX.

4  
5 Respondents do not provide investors with a written disclosure document such as a prospectus or offering  
6 circular. Investors typically receive copies of the participation agreement, promissory note, and deed of trust.

## X.

7  
8 The following information was not generally disclosed to investors: the proposed use of the loan proceeds;  
9 financial data relating to the borrower's ability to repay its debt; specific information about the value of the  
10 property offered as collateral such as that contained in a professional appraisal or assessment; and specific  
11 information about the existence of other encumbrances on the property such as that contained in a professional  
12 title report.

## XI.

13  
14 Respondents did not disclose that their failure to assign and record a separate interest in the loan property  
15 for each loan participant might adversely affect the investors' ability to recover their respective investments in the  
16 event that Respondents filed for bankruptcy or that the property became the subject of litigation. Respondents did  
17 not inform investors that some loan transactions were conducted without an independent escrow agent or that  
18 some were conducted without any escrow agent at all. Finally, Respondents did not tell investors that they could  
19 experience losses in excess of their original investment if the underlying property became the subject of litigation  
20 or it became necessary to institute foreclosure proceedings.

## XII.

21  
22 Cyril W. Randell & Associates, Inc. is not currently registered to sell securities in the state of Washington  
23 and has not previously been so registered.

24  
25 CONSENT ORDER

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27 DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9032  
Olympia, WA 98507-9032  
360-982-8760

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XIII.

Respondents are not currently registered as a securities salesperson or broker-dealer in the state of Washington and have not previously been so registered.

CONCLUSIONS OF LAW

I.

The offer and/or sale of the participation loans described above constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), to wit: a note, investment contract, or profit-sharing agreement.

II.

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

III.

Respondents have each 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.

IV.

Respondents have each violated RCW 21.20.010 by omitting material facts about their investment program as described in Paragraphs IX, X, and XI.

CONSENT ORDER

Respondents neither admit nor deny the foregoing Findings of Fact and Conclusions of Law but have agreed to resolve these allegations by entering this Consent Order. Respondents hereby acknowledge that the Securities Division has jurisdiction over this matter and authority to enter this order. Respondents also waive their right to an administrative hearing. In consideration of the foregoing, the Securities Division and Respondents agree as follows:

CONSENT ORDER

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 IT IS AGREED AND ORDERED that Respondents shall send a copy of this order by certified mail or  
 2 other equivalent means to each current participation loan investor and shall, within 30 days from the entry of this  
 3 order, provide the Securities Division with proof of mailing or other notice. Failure to do so shall be grounds to  
 4 vacate this consent order.

5 IT IS AGREED that Respondents shall assign to each current participation loan investor his or her  
 6 fractional interest in the borrower's note and the deed of trust which secures performance thereunder and shall  
 7 properly record the assignment of such interest. Respondents shall furnish the Securities Division, within 120  
 8 days from the entry of this order, with proof that such interests were assigned and recorded. Failure to do so shall  
 9 be grounds to vacate this consent order.

10  
 11 IT IS AGREED AND ORDERED that, for a period of three years from the date of entry of this Consent  
 12 Order, the exemptions from registration provided by RCW 21.20.320(9) and RCW 21.20.320(11) are hereby  
 13 revoked as to each Respondent and any entity in which Respondents may act as officer, director, or 10%  
 14 shareholder. The availability of the exemption from registration provided by RCW 21.20.320(5) is hereby  
 15 conditioned for a period of three years upon delivery to each potential investor of an offering circular  
 16 substantially similar in scope and content to Appendix A. This Consent Order shall not affect the availability of  
 17 any other exemption from registration including, but not limited to, WAC 460-44A-505 and WAC 460-44A-506.

18 IT IS AGREED AND ORDERED that, prior to the entry of this Consent Order, Respondents shall deliver a  
 19 check in the amount of \$1,000 to the Securities Division to reimburse its costs of investigation. This check shall  
 20 be made payable to State Treasurer.

21  
 22 IT IS AGREED AND ORDERED that Respondents shall each cease and desist from sales of unregistered  
 23 securities in violation of RCW 21.20.140.

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IT IS AGREED AND ORDERED that Respondents shall each cease and desist from acting as an unregistered securities broker/dealer or salesperson in violation of RCW 21.20.040.

IT IS AGREED AND ORDERED that Respondents shall each cease and desist from violations of RCW 21.20.010.

IT IS AGREED that the Securities Division shall have the right to reopen its investigation of this matter and take additional enforcement action if it finds that any fact upon which this Consent Order is based has been misrepresented by Respondents.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.


  
Cyril W. Randell

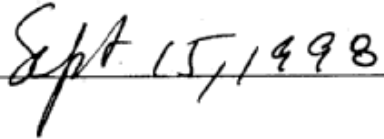
\_\_\_\_\_  
Date

  
Cyril W. Randell & Associates, Inc.

\_\_\_\_\_  
Date

Approved for entry:  
TOUSLEY BRAIN PLLC

  
Kim Stephens  
Attorneys for Respondents

  
Date

CONSENT ORDER

LAW OFFICES OF JACK G. ORR, P.S.

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*K. D. Orr*  
by *Jack G. Orr* by telephone authorization  
Attorney for Respondents 9/15/98

9/15/98  
Date

DATE OF ENTRY: 9/30/98



*Deborah R. Bortner*  
Deborah R. Bortner  
Securities Administrator

*Steven Raney*  
Steven Raney  
Securities Examiner

*Michael E. Stevenson*  
Michael E. Stevenson  
Chief of Compliance

CONSENT ORDER

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DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

### SAMPLE SPECIFIC OFFERING CIRCULAR

Dated \_\_\_\_\_

Prepared by

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

These securities involve a high degree of risk, and may require additional expenditures if a default should occur. Investors are urged to carefully read all offering documents in their entirety to determine whether this is a suitable investment.

#### Summary of the Offering

- Loan Name:
- Offering Number:
- Note Amount:
- Note Interest Rate:
- Minimum Investment:
- Description of the Offering:

This mortgage paper securities offering has been registered with the Securities Division of the State of Washington under the provisions of WAC 460-33A.

The registration of these securities by the Washington Securities Administrator does not signify that the administrator has approved or recommended these securities, nor has the administrator passed upon the adequacy or accuracy of this specific offering circular. Any representation to the contrary is a criminal offense. The Mortgage Paper Security offered herein is subject to investor suitability requirements under the provisions of WAC 460-33A-031 (See "Investor Suitability Requirements" in General Offering Document).

Remedies are available to the investor for false and misleading statements in connection with this offering (See "Remedies to Investors").

NOTE: This document is not complete unless accompanied by a General Offering Document, which should be read in conjunction with this document.



**Terms of the Offering**

Total Offering:  
Price Per Unit:  
Number of Units Offered:  
Minimum Purchase:  
Commissions to be Paid by Investors:  
Other Fees/Expense to be Paid by Investors:  
Loan Servicing Fee:

**Investor Discount, If Applicable**

Discount from Principal Amount:  
Price Per Unit:  
Effective Yield:

**Loan Terms**

Loan Amount:  
Note Rate:  
Payment Terms:

Maturity Date:  
Balloon Payment:  
Prepayment Penalties:  
Late Charges:  
Disposition:  
Other Terms/Conditions:

**Security Interest**

Lien Type & Priority:  
Description of Senior Encumbrances:

Description of Junior Encumbrances:

**Borrower Information**

Name:  
Address:

Employment:

Number of Years:  
Income (see exhibit attached):

Credit History:

**Property Information**

Address:

Description:

Appraisal Value:  
Date of Appraisal:  
Assessed Value:  
Insurance Information:

**Loan to Value Ratios**

Based on Appraised Value:

Based on Assessed Value:

SEP. 3. 1998 3:58PM

TOUSLEY BRAIN PLLC

NO. 6014 P. 12

**Use of Proceeds**

Gross Loan Amount:  
Brokerage Commissions:

Closing Costs:

Net Proceeds:

Use of Net Proceeds:  
(List by dollar amount, greatest to least)

Total Use of Net Proceeds:

Explanation of Use of Proceeds:

SEP. 3. 1998 3:58PM

TOUSLEY BRAIN PLC

NO. 6014 P. 13

Expected Source of Loan Repay:

Special Risks

Exhibits

Loan Application .....	Exhibit A
Financial Statements/Tax Returns .....	Exhibit B
Credit Report .....	Exhibit C
Note & Security Instrument .....	Exhibit D
Appraisal & Tax Valuation Statement .....	Exhibit E
Escrow Agreement .....	Exhibit F
Title Insurance Report .....	Exhibit G
Affidavit of Business Purpose .....	Exhibit H
Loan Servicing Agreement .....	Exhibit I
Participation Agreement .....	Exhibit J
Suitability Questionnaire .....	Exhibit K

Other Exhibits:

Prepared by

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Acknowledgement of Receipt

The undersigned hereby acknowledges receipt of the following documents.

- Mortgage Paper General Offering Circular dated \_\_\_\_\_
- Specific Offering Circular Number \_\_\_\_\_

- Exhibits:
- Loan Application
  - Financial Statement/Tax Returns
  - Credit Report
  - Note & Security Instrument
  - Appraisal & Tax Valuation Statement
  - Escrow Agreement
  - Title Insurance Report
  - Affidavit of Business Purpose
  - Loan Servicing Agreement
  - Participation Agreement
  - Suitability Questionnaire
  - Others:

Investor Signatures:

Dated: \_\_\_\_\_ by: \_\_\_\_\_

Dated: \_\_\_\_\_ by: \_\_\_\_\_