

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

4 IN THE MATTER OF DETERMINING ) Order Number S-06-020-06-SC01  
5 whether there has been a violation of the )  
6 Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE  
7 ) OF INTENT TO ENTER ORDER TO CEASE  
8 ) AND DESIST AND TO IMPOSE FINES  
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THE STATE OF WASHINGTON TO: Brisk Management, LLC dba Heritage House  
Assisted Living  
Ross Paterson

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Brisk Management, LLC dba Heritage House Assisted Living and Ross Paterson, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist from such violations. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

*Respondents*

1. Brisk Management, LLC dba Heritage House Assisted Living, also known as Brisk Management and Heritage House, (“Brisk Management”) is a limited liability company organized in the State of Washington on September 13, 2002, with its principal place of business in Ferndale, Washington.

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST AND TO IMPOSE FINES



1           8.       Beginning in July 2004 and continuing through November 2004, Paterson  
2 approached Investor A several times about investing in Brisk Management. Investor A was not  
3 in the business of commercial lending and each time gave Respondents the funds with an  
4 investment intent.

5           9.       In July 2004, Respondents told Investor A that \$9,000 was needed to purchase  
6 and install a nurse call system and without the nurse call system Brisk Management could not get  
7 a license and begin business. Respondents represented to Investor A that once Brisk  
8 Management opened Investor A would receive a great return. Respondents failed to disclose the  
9 risks of investing in Brisk Management with Investor A. Based on these representations,  
10 Investor A gave Respondents a cashier's check for \$9,000. Investor A did not receive any  
11 documents evidencing her investment.

12          10.      In July 2004, Respondents represented that \$14,000 was needed to cover  
13 operational expenses. Paterson again represented to Investor A that once Brisk Management  
14 opened Investor A would received a great return. Respondents again failed to disclose the risks  
15 of investing in Brisk Management with Investor A. Based on these representations, Investor A  
16 gave Respondents a cashier's check for \$14,000 which Respondents deposited in a bank account  
17 in Bellingham, Washington. Investor A did not receive any documents evidencing her  
18 investment.

19          11.      In August 2004, Respondents represented that \$6,000 was needed to cover  
20 payroll. Paterson represented to Investor A that he would pay her back \$6,500 within a couple of  
21 weeks. Respondents again failed to disclose the risks of investing in Brisk Management with  
22 Investor A. Based on these representations, Investor A gave Respondents a cashier's check for  
23 \$6,000. Investor A did not receive any documents evidencing her investment.

1           12.     Also in August 2004, Respondents represented that \$8,000 was needed to pay the  
2 State of Washington to cover the fee to obtain a license. Respondents again represented that  
3 once Brisk Management opened Investor A would receive a great return and Respondents failed  
4 to disclose the risks of investing in Brisk Management with Investor A. Based on these  
5 representations Investor A gave Respondents a cashier's check for \$8,000 which Respondents  
6 deposited in a bank account in Bellingham, Washington. Investor A did not receive any  
7 documents evidencing her additional investment.

8           13.     In August 2004, Respondents requested funds from Investor A three more times  
9 to cover operational expenses. Each time Respondents represented to Investor A that once Brisk  
10 Management opened Investor A would receive a great return. Each time Respondents failed to  
11 disclose the risks of investing in Brisk Management with Investor A. Based on these  
12 representations, Investor A gave Respondents at least \$11,000 which Respondents deposited in a  
13 bank account in Bellingham, Washington. Investor A did not receive any documents evidencing  
14 her investment.

15           14.     From September 2004 to January 2005, Respondents requested funds from  
16 Investor A at least nine times to cover operational expenses. Each time Respondents represented  
17 to Investor A that once Brisk Management opened Investor A would received a great return.  
18 Each time Respondents failed to disclose the risks of investing in Brisk Management with  
19 Investor A. Based on these representations, Investor A gave Respondents at least an additional  
20 \$73,287 of investment funds which Respondents deposited in a bank account in Bellingham,  
21 Washington. Investor A did not receive any documents evidencing her investments.

22           15.     In total, Investor A gave Respondents at least \$111,287. Investor A has requested  
23 Respondents pay her back. Respondents have paid Investor A approximately \$48,000. Most of  
24

1 the funds used to repay Investor A were from a bank account in Bellingham, Washington. To  
2 date, Respondents have failed to repay the rest of the funds.

3  
4 *Investor B*

5 16. In June 2004, Paterson, through Rolfe, approached a resident of Anchorage,  
6 Alaska, (“Investor B”) about investing in Brisk Management by purchasing a share of the  
7 business. Investor B and Paterson corresponded often while Paterson was in Washington State.

8 17. Respondents represented that the funds would be used to finish renovating the  
9 building and to purchase an elevator.

10 18. In a letter dated June 14, 2004, Respondents represented that Investor B would be  
11 repaid the principal plus 33% interest within 100 days from the date the funds were given to  
12 Respondents or that he may choose to convert the promissory note to an equity investment.

13 19. In June 2004, Respondents were still renovating the facility, had not been licensed  
14 by the State, and had not accepted any residents. Without the rental income from tenants  
15 Respondents did not have a source of income to repay Investor B.

16 20. Investor B was told that once the business was opened it would generate a  
17 monthly profit of \$40,000.

18 21. Respondents failed to disclose the risks of investing in Brisk Management with  
19 Investor B.

20 22. Based on these representations, in June 2004 Investor B flew from Anchorage,  
21 Alaska, to Ferndale, Washington, to view the facility and agreed to invest \$400,000 in Brisk  
22 Management. In exchange for the \$400,000, Investor B was supposed to receive a 33% interest  
23 in Brisk Management. During his visit Investor B gave Respondents a check for \$100,000 which  
24 Respondents deposited to a bank account in Bellingham, Washington.



1 met Investors C & D through Rolfe while Paterson was in British Columbia, Canada. Investors  
2 C & D and Paterson corresponded often while Paterson was in Washington State.

3 31. Respondents and Rolfe represented that the funds would be used for Brisk  
4 Management's business operations.

5 32. Investors C & D were told that once Brisk Management was opened it would  
6 generate a monthly profit of \$40,000.

7 33. Respondents represented that they would pay Investors C & D \$125 per month  
8 toward the principal of the note. Respondents also represented that they would pay Investors C  
9 & D 3.25% of the net cash flow per month. According to the agreement, principal and interest  
10 payments were to begin in April 2004.

11 34. At the time, Respondents were still renovating the facility, had not been licensed  
12 by the State, and had not accepted any residents. Without the rental income from tenants  
13 Respondents did not have a source of income to repay Investors C & D.

14 35. Respondents failed to disclose to Investors C & D the risks of investing in Brisk  
15 Management.

16 36. Based on these representations, in March 2004 Investors C & D agreed to enter  
17 into two \$50,000 promissory note agreements and gave Respondents \$50,000 which  
18 Respondents deposited in a bank account located in Bellingham, Washington. Investors C & D  
19 gave Rolfe \$50,000. Eventually, Rolfe forwarded the funds to Respondents.

20 37. To date Investors C & D have not received any return on their investment.

### 21 **MISREPRESENTATIONS AND OMISSIONS**

22 38. Respondents' statements about the ability to repay the investments were  
23 misleading because Respondents failed to disclose to investors the general and specific risks

1 regarding their investments including, but not limited to, the risk of competition, the risk that  
2 Respondents would not be able to find tenants for the facility, the risk that the facility would not  
3 receive a license from the State, the risk that Respondents would not operate the facility at a level  
4 sufficient to generate enough revenue to repay the notes, and the risk that Respondents would not  
5 be able to find qualified employees. In addition, Respondents failed to provide financial  
6 statements.

7 39. Respondents' statements to Investor B about the use of his investment funds were  
8 misleading because Respondents failed to disclose to Investor B that his funds would be used, in  
9 part, to repay a previous investor.

10 40. Respondents' statements that once Brisk Management was opened it would  
11 generate a monthly profit of \$40,000 were misleading because Respondents failed to a  
12 reasonable basis for its projections.

### 13 14 **REGISTRATION STATUS**

15 41. The investment contracts and promissory notes described above are not registered  
16 as securities.

17 42. Ross Paterson is not currently registered as a securities salesperson or broker-  
18 dealer in the state of Washington and has not previously been so registered.

19 43. Brisk Management is not currently registered to sell securities, has not previously  
20 been registered, and has not filed a claim of exemption.

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

2 **CONCLUSIONS OF LAW**

3 1. The offer or sale of the investment contracts and promissory notes described  
4 above constitutes the offer or sale of a security as defined in RCW 21.20.005(10) and (12).

5 2. Respondent, Ross Paterson, acted as a securities salesperson or broker-dealer as  
6 defined in RCW 21.20.005(2).

7 3. Respondent, Ross Paterson, has violated RCW 21.20.040 by offering and/or  
8 selling said securities while not registered as a securities salesperson or broker-dealers in the  
9 State of Washington.

10 4. The offer or sale of said securities is in violation of RCW 21.20.140 because no  
11 registration for such offer or sale is on file with the Securities Administrator.

12 5. The offer or sale of said securities was made in violation of RCW 21.20.010  
13 because Respondent, Ross Paterson, in connection with the offer and sale of a security, made  
14 untrue statements of material fact or omitted to state material facts necessary in order to make the  
15 statements made, in light of the circumstances under which they were made, not misleading.

16  
17 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

18 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities  
19 Administrator intends to order that Respondents, Brisk Management LLC dba Heritage House  
20 Assisted Living and Ross Paterson, and their agents and employees, each cease and desist from  
21 violations of RCW 21.20.010, the anti-fraud section of the Securities Act; RCW 21.20.040, the  
22

1 section of the Securities Act requiring registration of broker-dealers and securities salespersons;  
2 and RCW 21.20.140, the section of the Securities Act requiring registration.

3  
4 **NOTICE OF INTENT TO IMPOSE FINES AND COSTS**

5 Pursuant to RCW 21.20.390 and RCW 21.20.395 and based upon the Tentative Findings  
6 of Fact and Conclusions of Law, the Securities Administrator intends to order that:

7 (A) Respondent, Brisk Management LLC dba Heritage House Assisted Living, shall be  
8 liable for and pay the Securities Division (1) a fine of \$10,000 for violating the Securities Act  
9 provided that the fine will be reduced by any amounts paid to the investors after the date of the  
10 entry of this order and (2) the costs, fees, and other expenses incurred in the conduct of  
11 investigating this matter in an amount not less than \$1,500 and

12 (B) Respondent, Ross Paterson, shall be liable for and pay the Securities Division (1) a  
13 fine of \$10,000 for violating the Securities Act provided that the fine will be reduced by any  
14 amounts paid to the investors after the date of the entry of this order and (2) the costs, fees, and  
15 other expenses incurred in the conduct of investigating this matter in an amount not less than  
16 \$1,500.

17  
18 **AUTHORITY AND PROCEDURE**

19 This Statement of Charges and Notice of Intent to Enter Order to Cease and Desist and to  
20 Impose Fines and Costs is entered pursuant to the provisions of RCW 21.20.390 and RCW  
21 21.20.395 and is subject to the provisions of RCW 34.05. The Respondents, Brisk Management  
22 LLC dba Heritage House Assisted Living and Ross Paterson, may make a written request for a  
23

1 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY  
2 FOR HEARING accompanying this Statement of Charges.

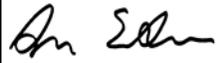
3 If a respondent does not request a hearing, the Securities Administrator intends to adopt  
4 the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent  
5 order to cease and desist and impose fines and costs as to that Respondent.

6  
7 Dated and Entered this 12th day of March, 2007.

8 

9  
10 MICHAEL E. STEVENSON  
Securities Administrator

11 Approved by:

12   
13 Suzanne Sarason  
14 Chief of Compliance

Presented by:

15   
16 Kristen Culbert  
17 Financial Legal Examiner