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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:

Benjamin Rankin; Chad Barron;  
Pioneer Property Group, LLC; Queen's Court  
Building, LLC

Respondents.

Order Number S-09-396-10-CO01

CONSENT ORDER

On June 1, 2010, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Recover Costs (“Statement of Charges”) S-09-396-10-SC01 against Respondents Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC, and Queen’s Court Building, LLC. The Securities Division, Department of Financial Institutions, State of Washington, and Respondents Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC, and Queen’s Court Building, LLC do hereby agree to this CONSENT ORDER in settlement of the above-captioned matter. The Securities Division has in Statement of Charges S-09-396-10-SC01 made certain allegations and conclusions, set forth under the headings “Tentative Findings of Fact,” and “Conclusions of Law.” Respondents Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC, and Queen’s Court Building, LLC each neither admit nor deny the Tentative Findings of Fact and Conclusions of Law which are hereby incorporated by reference into this CONSENT ORDER.

CONSENT ORDER

1 **CONSENT ORDER**

2 Based upon the foregoing:

3 IT IS AGREED AND ORDERED that Respondents, Benjamin Rankin, Chad Barron, Pioneer  
4 Property Group, LLC, and Queen's Court Building, LLC their agents and employees each shall cease and  
5 desist from offering or selling securities in violation of RCW 21.20.140, the securities registration section  
6 of the Securities Act of Washington.

7 IT IS FURTHER AGREED AND ORDERED that Respondents, Benjamin Rankin, Chad Barron,  
8 their agents and employees each shall cease and desist from acting as an unregistered securities broker-  
9 dealer or salesperson in violation of RCW 21.20.040, the broker-dealer and securities salesperson  
10 registration section of the Securities Act of Washington.

11 IT IS FURTHER AGREED AND ORDERED that Respondent Pioneer Property Group, LLC, its  
12 agents and employees each shall cease and desist from acting as an unregistered securities broker-dealer  
13 in violation of RCW 21.20.040, the broker-dealer and securities salesperson registration section of the  
14 Securities Act of Washington.

15 IT IS FURTHER AGREED AND ORDERED that Respondents, Benjamin Rankin, Chad Barron,  
16 Pioneer Property Group, LLC and Queen's Court Building, LLC, their agents and employees each shall  
17 cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of  
18 Washington.

19 IT IS FURTHER AGREED that Respondents Benjamin Rankin, Chad Barron, Pioneer Property  
20 Group, LLC, and Queen's Court Building, LLC shall be jointly and severally liable for and shall pay the  
21

1 Securities Division the costs and other expenses incurred in the investigation of this matter in the amount  
2 of \$5,000.

3 IT IS FURTHER AGREED that Respondents Benjamin Rankin and Chad Barron shall each pay a  
4 fine of \$2,000.

5 IT IS FURTHER AGREED that the payment of the costs and fines described above shall be made  
6 as follows: Respondents Benjamin Rankin and Chad Barron shall each make an initial payment of \$187.50  
7 on or before the entry of this Consent Order. Respondents Benjamin Rankin and Chad Barron shall then  
8 each make monthly payments of \$187.50 for twenty three (23) consecutive months. Each payment shall be  
9 due on the first day of the month, unless the first day of the month falls on a weekend or holiday, in which  
10 case payment shall be due on the first business day following the first day of the month.

11 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Order.

12 IT IS FURTHER AGREED that, except in an action by the Securities Division of the Washington  
13 State Department of Financial Institutions to enforce the obligations of Respondents Benjamin Rankin, Chad  
14 Barron, Pioneer Property Group, LLC and Queen's Court Building, LLC in this Consent Order, this Consent  
15 Order may neither be deemed nor used as an admission of or evidence of any fault, omission or liability of  
16 Respondents Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC and Queen's Court Building,  
17 LLC in any civil, criminal, arbitration, or administrative proceeding.

18 IT IS FURTHER AGREED that in consideration of the foregoing Respondents Benjamin Rankin,  
19 Chad Barron, Pioneer Property Group, LLC, and Queen's Court Building, LLC, waive their rights to a  
20 hearing in this matter and judicial review of this order.

1 IT IS FURTHER AGREED that, in the event that Respondents Benjamin Rankin, Chad Barron,  
2 Pioneer Property Group, LLC and Queen's Court Building, LLC default on any payment, the Securities  
3 Division will provide notice of default and may thereafter seek recovery of the amounts due, plus costs and  
4 attorney fees, pursuant to remedies available under the Securities Act of Washington, RCW 21.20.

5 IT IS FURTHER AGREED that Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC,  
6 and Queen's Court Building, LLC enter into this Consent Order freely and voluntarily and with full  
7 understanding of its terms and significance.

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

9 SIGNED this 13<sup>th</sup> day of July, 2010.

10  
11 Signed by:

12 Pioneer Property Group, LLC

13  
14 By: s/ Benjamin Rankin

15 Title: Manager

16  
17 Signed by:

18 Queen's Court Building, LLC

19  
20 By: s/ Benjamin Rankin for Conversion Group, LLC

21 Title: Manager

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Signed by:

s/ Benjamin Rankin

Benjamin Rankin, individually

Signed by:

s/ Chad Barron

Chad Barron, individually

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SIGNED and ENTERED this 21st day of July, 2010.



William M. Beatty  
Securities Administrator

Approved by:



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Suzanne Sarason  
Chief of Enforcement

Presented by:



\_\_\_\_\_  
Edward R. Thunen  
Financial Legal Examiner

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING ) Order Number S-09-396-10-SC01  
Whether there has been a )  
violation of the ) STATEMENT OF CHARGES AND NOTICE  
Securities Act of Washington ) OF INTENT TO ENTER ORDER TO  
by: ) CEASE AND DESIST, TO IMPOSE  
 ) FINES, AND TO RECOVER COSTS  
 )  
Benjamin Rankin; Chad )  
Barron; Pioneer Property )  
Group, LLC; Queen's Court )  
Building, LLC;

Respondents

THE STATE OF WASHINGTON TO: Benjamin Rankin;  
Chad Barron;  
Pioneer Property Group, LLC;  
Queen's Court Building, LLC

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC and Queen's Court Building, LLC, 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

7

CONSENT ORDER

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



1 projects. Conversion Group managed "single purpose entities" formed by  
2 PPG that acquired and held title to the buildings that PPG converted  
3 into condominiums.

4 7. Pioneer Properties Northwest, LLC was a Washington limited  
5 liability company that served as the real estate agent for the sale of  
6 completed condominium units.

7 8. Pioneer Renovations, LLC was a Washington limited liability  
8 company that acted as general contractor for PPG's projects.

9 **Nature of the Offering**

10 *Offer and Sale of Membership Units in Queen's Court Building, LLC*

11 9. In the first half of 2006, PPG identified the Queen's Court  
12 building as a viable target for acquisition and conversion into  
13 condominium units. The Queen's Court building is a thirty four unit  
14 building in Seattle's Queen Anne neighborhood. The project was to be  
15 funded by a combination of debt and equity.

16 10. On May 26, 2006, QCB was incorporated in order to purchase and  
17 hold title to the Queen's Court building. PPG, through Barron and  
18 Rankin, sold investments in the form of membership units in QCB between  
19 approximately May of 2006 and February of 2007.

20 11. At the time of QCB's formation, Barron and Rankin anticipated  
21 that Conversion Group, Pioneer Properties Northwest, and Pioneer  
22 Renovations would each function within the Queen's Court project as

1 described in paragraphs six through eight of the Tentative Findings of  
2 Fact, and that each would be vital to the success of the Queen's Court  
3 project.

4 12. PPG, through Barron and Rankin, sold at least \$1.38 million  
5 worth of "Class A" units in QCB to at least eighteen investors. At least  
6 fourteen of these investors are Washington residents. Holders of A units  
7 were to receive the first distribution of profits, in proportion to  
8 their investment, until their principal had been returned. Holders of A  
9 units were to receive the second distribution of profits as well. This  
10 second distribution was to amount to a seven percent return of an A unit  
holder's investment.

11 13. The manner in which QCB investors learned of the project and  
12 were solicited by Respondents varied considerably. Many of the investors  
13 in QCB had invested in prior PPG projects or knew Barron and/or Rankin  
14 personally or professionally. Prior to the beginning of the Queen's  
15 Court project, several QCB investors had asked Barron and/or Rankin to  
16 contact them when an opportunity to invest in a PPG project had arisen.  
17 Barron and/or Rankin contacted these investors when the opportunity to  
18 invest in QCB arose. Other QCB investors learned of the Queen's Court  
19 project through friends who had invested in earlier PPG projects. At  
20 least one investor who agreed to receive QCB units in exchange for  
21 waiving her right to repayment of a note PPG had made to her for working  
capital had the transaction proposed to her by PPG.

1 14. Most investors received a brief summary of the Queen's Court  
2 project which included a best case scenario for return on investment  
3 with a disclaimer about the projections at the bottom of the page. Some  
4 investors walked through properties previously developed by PPG or that  
5 were in the process of being developed by PPG with Barron and/or Rankin  
6 as part of the solicitation process. Barron emphasized to investors the  
7 strong real estate market existing at the time many of the QCB members  
8 invested, as well as PPG's belief that the condominiums were "classic  
9 vintage units at the right price points."

10 15. When soliciting investments from persons not familiar with  
11 PPG, Barron discussed PPG's basic approach to converting old buildings  
12 into condominiums. Several investors received documents from Barron that  
13 provided information about PPG and its history, as well as a document  
14 that detailed the performance of past PPG projects. Barron had  
15 conversations with several investors concerning PPG's overall plan for  
16 the Queen's Court project, and mentioned that the intended market for  
17 the condominium units was first time homebuyers. Barron represented to  
18 at least one investor that previous PPG projects had yielded returns of  
19 ten to fifteen percent.

20 16. Investors in QCB received a document entitled "Risk and  
21 Disclosure Letter," (RDL) and a copy of the QCB operating agreement  
22 prior to investing. PPG issued a receipt of funds after investment. Some  
23 investors received, signed, and returned to PPG, a document referred to

1 in the receipt of funds as the "Commitment Letter." The Commitment  
2 Letter was intended to represent an investor's commitment to the Queen's  
3 Court project. The letter authorized PPG to spend investment funds on  
4 "project-related" costs, to form and manage QCB, and to secure debt  
5 financing at PPG's discretion. The investor also acknowledged that he or  
6 she would have to guarantee a bank loan for the purchase and renovation  
7 of the Queen's Court building. At least two QCB investors personally  
8 guaranteed a loan from Columbia Bank used to acquire the Queen's Court  
9 building. The letter promised progress reports no less than quarterly.

10 17. For many QCB investors, the RDL was the only disclosure  
11 document received prior to investing. The RDL was generic and intended  
12 to be used during all PPG projects. The RDL given to QCB investors did  
13 not make disclosures specific to the Queen's Court project or disclose  
14 risks specific to the Queen's Court project.

15 18. The RDL described PPG's business and identified Barron and  
16 Rankin as PPG's principals. The RDL also stated that PPG owned several  
17 limited liability companies that "provide services to PPG real estate  
18 development projects," but did not identify the limited liability  
19 companies by name. The RDL explained that PPG was compensated in the  
20 form of commissions that PPG believed were "market-standard and  
21 appropriate." These commissions included: real estate resale  
22 commissions, general contractor profit and overhead, and a management  
23 fee.



1 business for or bind QCB. QCB's members had the authority to vote on  
2 major transactions contemplated by QCB's managers, such as selling QCB's  
3 assets. The members never exercised these powers.

4 23. In response to the failing real estate market and its effect  
5 on PPG's profitability, PPG abandoned the Queen's Court project. QCB's  
6 creditors have foreclosed on the Queen's Court building. In 2009,  
7 Respondents created documents, in lieu of a K-9 form, for the QCB  
8 investors concerning the value of the investments in QCB for tax  
9 purposes. These documents indicated that the QCB interests had no value.

10 *Queen's Court Investors Never Admitted to Queen's Court Building,*  
11 *LLC*

12 24. In order to secure bank financing for the acquisition of the  
13 Queen's Court building, PPG caused QCB to execute a fully subscribed  
14 operating agreement no later than July 6, 2006. Some of the QCB members  
15 listed in this operating agreement had not in fact invested in QCB or  
16 had invested less than the amount attributed to them in the operating  
17 agreement.

18 25. When the operating agreement was executed, Barron and Rankin  
19 intended to sell units in QCB to persons not included as members in the  
20 QCB operating agreement and to effect transfers of units to these  
21 investors from several of the QCB members listed in the operating  
22 agreement. PPG accepted funds from at least eight investors not  
23 included in the operating agreement with the intention of complying with

1 the operating agreement's restrictions on unit transfers at a later  
2 date. However, the operating agreement severely limited the transfer of  
3 QCB units. Unit holders wishing to sell units were required to honor a  
4 right of first refusal held by QCB and by the other members. Transferees  
5 were not admitted as members of QCB unless and until the members holding  
6 seventy five percent of the class A units consented in writing to the  
7 transfer (members could arbitrarily withhold such consent), and  
8 applicable state and federal securities laws were observed.

9 26. Barron told investors who were not included in the operating  
10 agreement that "share transfers" would be completed in order to admit  
11 these investors as members of QCB and to comply with the operating  
12 agreement's restrictions on unit transfers. Respondents never completed  
13 these share transfers and, therefore, these investors were never  
14 admitted as members of QCB under the QCB operating agreement's terms.

15 *Offer and Sale of Promissory Notes*

16 27. Between approximately January of 2004 and September of  
17 2007, PPG sold at least twenty five promissory notes worth at least  
18 \$2.105 million to at least eleven investors. At least ten of these  
19 investors are Washington residents. Barron and Rankin were co-borrowers  
20 and primarily liable with PPG on at least fourteen of the notes. Barron  
21 and Rankin personally guaranteed several of the notes on which they were  
22 not co-borrowers. The notes' terms ranged from two weeks to two years.

1 Interest rates on the notes ranged from zero (a loan fee was charged in  
2 lieu of interest) to twenty percent.

3 28. Most of these notes were sold to acquire working capital for  
4 PPG's general business. Other notes were sold to provide PPG with  
5 earnest money that would be applied to properties PPG had under  
6 contract.

7 29. Many of the note investors had invested in PPG's real estate  
8 projects and/or had personal or professional relationships with Barron  
9 and/or Rankin. Barron and/or Rankin initiated most conversations with  
10 potential investors concerning the offer and sale of PPG notes. Barron  
11 and Rankin generally did not disclose PPG's other creditors and debts  
while negotiating the offer and sale of these notes.

12 30. At least one note entitled the holder to a "participation  
13 interest." The participation interest was equivalent to a percentage of  
14 PPG's share of profits from a PPG real estate development project. At  
15 least one note provided the holder the option to accept such a  
16 participation interest in lieu of interest on principal.

17 31. Some notes were executed while the parties intended that the  
18 debt created by the note would later be converted to an equity interest  
in a PPG project.

19 32. At least one note provided that "it is the intention of [PPG,  
20 Rankin, and Barron] and the [holder] to convert the principal amount of  
21 the Loan to an equity investment in The Marlborough House, LLC..."

1 Marlborough House, LLC is a single purpose entity, like QCB, managed by  
2 Conversion Group, LLC.

3 33. At least one note was convertible at the holder's option to an  
4 "equity investment in the Delorges Building, LLC." Delorges Building,  
5 LLC is a single purpose entity, like QCB, managed by Conversion Group,  
6 LLC.

7 34. Approximately nine notes were converted to equity investments  
8 in PPG projects, either by the holder enforcing a note's terms or by  
9 agreement of the parties. Approximately twelve notes were repaid in  
10 full. At least two of the repaid notes were paid late.

#### 11 Misrepresentations and Omissions

12 35. Respondents failed to disclose material information concerning  
13 the Queen's Court project to investors prior to their investment. Barron  
14 and Rankin did not make disclosures particular to real estate  
15 development, such as title report, the Queen's Court building's tax  
16 assessed value, construction costs, anticipated renovations, and  
17 inspection reports. Moreover, Respondents did not disclose the  
18 assumptions they had made concerning their ability to sustain and  
19 complete the Queen's Court project.

20 36. Respondents failed to disclose material information concerning  
21 the Queen's Court project's capital structure to investors. Respondents

1 failed to disclose the project's debt holders, and the amounts of such  
2 debt to at least one investor.

3 37. Respondents failed to provide QCB investors with material  
4 information concerning PPG's debts, including, but not limited to, the  
5 promissory notes described in paragraphs twenty seven through thirty  
6 four of the Tentative Findings of Fact. Moreover, Respondent failed to  
7 disclose the effects such debt might have on PPG's ability to complete  
8 the Queen's Court project given PPG's status as the manager of the  
9 entities described in paragraphs six through eight of the Tentative  
10 Findings of Fact and as the ultimate manager of QCB.

11 38. Respondents failed to disclose material information concerning  
12 the subsidiary entities PPG owned and managed that were vital to the  
13 success of the Queen's Court project. Barron and Rankin did not identify  
14 Conversion Group, Pioneer Properties Northwest, or Pioneer Renovations.  
15 Furthermore, Respondents failed to provide investors with information  
16 concerning those entities' financial condition.

17 39. Respondents failed to disclose material information concerning  
18 how QCB investors' funds may be used. Respondents stated only that  
19 investor funds would be used for closing on the property, to pay PPG's  
20 subsidiaries for services performed, and for "project-related" expenses.

21 40. Respondents failed to disclose material information concerning  
22 the risks involved in investing in QCB. Respondents did not disclose  
23 risks including, but not limited to, risks arising from changes in the  
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1 real estate regulatory environment, from possible environmental  
2 liabilities, and from ownership of real property, such as liability for  
3 injury to persons and property occurring on the real property.

4 41. Respondents made an untrue statement of material fact  
5 concerning the amount of Barron's and Rankin's personal investments in  
6 the Queen's Court project. Prior to investing, at least one investor  
7 received a copy of the QCB operating agreement from PPG that indicated  
8 that Barron and Rankin had each invested \$250,000. However, Barron and  
9 Rankin had each invested only \$25,000.

10 42. Respondents made an untrue statement of material fact  
11 concerning where QCB investors' funds would be held. The Risk and  
12 Disclosure Letter represented that investors' funds would be deposited  
13 into an account in the name of QCB once QCB had been formed. However,  
14 funds received by PPG from QCB investors after the formation of QCB were  
15 deposited into accounts in the name of PPG.

16 43. Barron and Rankin failed to disclose to QCB investors that  
17 Barron and Rankin had personally guaranteed loans related to other PPG  
18 projects. Barron and Rankin also failed to disclose any conflicts of  
19 interest such guarantees might create.

20 44. Respondents made untrue statements of material fact to  
21 investors who were not included in the QCB operating agreement.  
22 Respondents entered into agreements entitled "Purchase and Sale and  
23 Assignment of Membership Interest Agreement" with at least three  
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1 investors not included in the QCB operating agreement. The agreements  
2 conditioned the closing of the investor's purchase of QCB interests on  
3 the "contemporaneous execution by Seller, Purchaser and [QCB], as well  
4 as all of the Members and Managers thereof...of a Consent in Lieu of a  
5 Meeting of the Members and Managers of [QCB]..." PPG deposited each of  
6 these investor's funds into one of PPG's accounts without this condition  
7 to closing occurring.

8 45. Barron failed to disclose material facts to investors who were  
9 not included in the QCB operating agreement and also made untrue  
10 statements of material facts to such investors. Barron represented to  
11 investors not included in the QCB operating agreement that a "share  
12 transfer" would take place in order to comply with the QCB operating  
13 agreement's restrictions on unit transfers described in paragraph twenty  
14 five of the Tentative Findings of Fact. Barron represented that the  
15 share transfer would occur when QCB was "fully capitalized." Barron did  
16 not state what amount of capital would represent full capitalization or  
17 how much capital was needed before full capitalization was achieved.  
18 Moreover, Respondents attempted but failed to complete share transfers  
19 for at least eight investors not included in the QCB operating  
20 agreement. Respondents also failed to attempt a share transfer for at  
21 least one investor not included in the QCB operating agreement.

22 46. Barron and Rankin failed to disclose material facts to  
23 promissory note investors concerning PPG's financial condition prior to  
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1 the purchase of the notes. Barron and Rankin did not reveal the  
2 existence of other PPG creditors or discuss how the promissory notes  
3 would be repaid to at least one promissory note investor.

4 47. Respondents failed to disclose material facts to promissory  
5 note investors concerning Barron's and Rankin's personal guarantees on  
6 such notes. Barron and Rankin did not provide investors who purchased  
7 notes guaranteed by Barron and Rankin information concerning Barron's  
8 and Rankin's ability to fulfill such guarantees.

9 48. Respondents failed to disclose material facts concerning the  
10 Marlborough House, LLC to the investor who purchased an interest in  
11 Marlborough House, LLC by purchasing a note from PPG. At the time the  
12 note was executed, Marlborough House, LLC had not been incorporated. The  
13 note did not make any disclosures concerning the Marlborough House  
14 project or about PPG's intention to have Marlborough House, LLC  
15 incorporated.

16 49. Respondents failed to disclose material facts concerning the  
17 Delorges Building, LLC to the investor who purchased an option in an  
18 interest in Delorges Building, LLC by purchasing a note from PPG. At the  
19 time the note was executed, Delorges Building, LLC had not been  
20 incorporated. The note did not make any disclosures concerning the  
21 Delorges Building project or about PPG's intention to have Delorges  
22 Building, LLC incorporated.

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Registration Status

*Issuers*

50. Queen's Court Building, LLC is not currently and has not previously been registered to sell its securities in the State of Washington and has not filed a claim of exemption from registration.

51. Pioneer Property Group, LLC is not currently and has not previously been registered to sell its securities in the State of Washington and has not filed a claim of exemption from registration.

52. Benjamin Rankin is not currently registered and has not previously been registered to sell his securities in the State of Washington and has not filed a claim of exemption from registration.

53. Chad Barron is not currently registered and has not previously been registered to sell his securities in the State of Washington and has not filed a claim of exemption from registration.

*Securities salespersons and Broker-dealers*

54. Pioneer Property Group, LLC is not currently registered as a broker-dealer in the State of Washington and has not previously been so registered.

55. Benjamin Rankin is not currently registered as a securities salesperson or broker-dealer in the State of Washington and was not so registered during the time relevant to this Statement of Charges.





1 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of  
2 Fact and Conclusions of Law, the Securities Administrator intends to  
3 order that Chad Barron shall be liable for and pay a fine of \$10,000.

4 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of  
5 Fact and Conclusions of Law, the Securities Administrator intends to  
6 order that Pioneer Property Group, LLC shall be liable for and pay a  
7 fine of \$10,000.

8 **NOTICE OF INTENT TO RECOVER COSTS**

9 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of  
10 Fact and Conclusions of Law, the Securities Administrator intends to  
11 order that Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC,  
12 and Queen's Court Building, LLC shall be jointly and severally liable  
13 for and shall pay investigative costs of \$5,000.

14 **AUTHORITY AND PROCEDURE**

15 This Statement of Charges is entered pursuant to the provisions of  
16 Securities Act and is subject to the provisions of RCW 34.05. The  
17 respondents, Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC,  
18 and Queen's Court Building, LLC may each make a written request for a  
19 hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
20 OPPORTUNITY FOR HEARING accompanying this order.

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

5 DATED AND ENTERED this 1<sup>st</sup> day of June, 2010.

6 

7 SUZANNE SARASON  
8 Chief of Enforcement

9 Presented by:

10 

11 Edward R. Thunen  
12 Financial Legal Examiner

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING ) Order Number S-09-396-10-SC01  
Whether there has been a violation of the )  
Securities Act of Washington by: ) STATEMENT OF CHARGES AND NOTICE  
 ) OF INTENT TO ENTER ORDER TO CEASE  
 ) AND DESIST, TO IMPOSE FINES, AND TO  
 Benjamin Rankin; Chad Barron; ) RECOVER COSTS  
 Pioneer Property Group, LLC; Queen's )  
 Court Building, LLC; )

Respondents

THE STATE OF WASHINGTON TO: Benjamin Rankin;  
Chad Barron;  
Pioneer Property Group, LLC;  
Queen's Court Building, LLC

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Benjamin Rankin, Chad Barron, Pioneer Property Group, LLC and Queen's Court Building, LLC, 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. Pioneer Property Group, LLC (PPG) is a Washington limited liability company. As of the date of this Statement of Charges, PPG does not maintain a principal place of business. For the period relevant to this Statement of Charges, PPG's principal place of business was 114

1 ½ 1<sup>st</sup> Avenue South, Seattle, WA 98104. PPG is a real estate development and consulting  
2 business. PPG’s business was concentrated on converting older buildings in and around Seattle  
3 into condominiums and selling the completed condominium units.

4 2. Queen’s Court Building, LLC (QCB) was a Washington limited liability  
5 company. QCB was managed by Conversion Group, LLC. QCB’s sole purpose was to acquire  
6 and hold title to the Queen’s Court building in Seattle’s Queen Anne neighborhood.

7 3. Benjamin Rankin (Rankin) is a manager of PPG and was a manager of  
8 Conversion Group, LLC, First Avenue Financial, LLC, Pioneer Properties Northwest, LLC,  
9 Pioneer Renovations, LLC, and QCB.

10 4. Chad Barron (Barron) is a manager of PPG and was a manager of Conversion  
11 Group, LLC, First Avenue Financial, LLC, Pioneer Properties Northwest, LLC, Pioneer  
12 Renovations, LLC and QCB.

13 Related Entities

14 5. PPG owned and managed several subsidiary entities that facilitated PPG’s  
15 business.

16 6. Conversion Group, LLC was a Washington limited liability company that  
17 provided project management services to PPG’s real estate projects. Conversion Group managed  
18 “single purpose entities” formed by PPG that acquired and held title to the buildings that PPG  
19 converted into condominiums.

20 7. Pioneer Properties Northwest, LLC was a Washington limited liability company  
21 that served as the real estate agent for the sale of completed condominium units.

22 8. Pioneer Renovations, LLC was a Washington limited liability company that acted  
23 as general contractor for PPG’s projects.

1 Nature of the Offering

2 *Offer and Sale of Membership Units in Queen's Court Building, LLC*

3 9. In the first half of 2006, PPG identified the Queen's Court building as a viable  
4 target for acquisition and conversion into condominium units. The Queen's Court building is a  
5 thirty four unit building in Seattle's Queen Anne neighborhood. The project was to be funded by  
6 a combination of debt and equity.

7 10. On May 26, 2006, QCB was incorporated in order to purchase and hold title to the  
8 Queen's Court building. PPG, through Barron and Rankin, sold investments in the form of  
9 membership units in QCB between approximately May of 2006 and February of 2007.

10 11. At the time of QCB's formation, Barron and Rankin anticipated that Conversion  
11 Group, Pioneer Properties Northwest, and Pioneer Renovations would each function within the  
12 Queen's Court project as described in paragraphs six through eight of the Tentative Findings of  
13 Fact, and that each would be vital to the success of the Queen's Court project.

14 12. PPG, through Barron and Rankin, sold at least \$1.38 million worth of "Class A"  
15 units in QCB to at least eighteen investors. At least fourteen of these investors are Washington  
16 residents. Holders of A units were to receive the first distribution of profits, in proportion to their  
17 investment, until their principal had been returned. Holders of A units were to receive the second  
18 distribution of profits as well. This second distribution was to amount to a seven percent return  
19 of an A unit holder's investment.

20 13. The manner in which QCB investors learned of the project and were solicited by  
21 Respondents varied considerably. Many of the investors in QCB had invested in prior PPG  
22 projects or knew Barron and/or Rankin personally or professionally. Prior to the beginning of the  
23 Queen's Court project, several QCB investors had asked Barron and/or Rankin to contact them  
24 when an opportunity to invest in a PPG project had arisen. Barron and/or Rankin contacted these  
25 investors when the opportunity to invest in QCB arose. Other QCB investors learned of the

1 Queen's Court project through friends who had invested in earlier PPG projects. At least one  
2 investor who agreed to receive QCB units in exchange for waiving her right to repayment of a  
3 note PPG had made to her for working capital had the transaction proposed to her by PPG.

4 14. Most investors received a brief summary of the Queen's Court project which  
5 included a best case scenario for return on investment with a disclaimer about the projections at  
6 the bottom of the page. Some investors walked through properties previously developed by PPG  
7 or that were in the process of being developed by PPG with Barron and/or Rankin as part of the  
8 solicitation process. Barron emphasized to investors the strong real estate market existing at the  
9 time many of the QCB members invested, as well as PPG's belief that the condominiums were  
10 "classic vintage units at the right price points."

11 15. When soliciting investments from persons not familiar with PPG, Barron  
12 discussed PPG's basic approach to converting old buildings into condominiums. Several  
13 investors received documents from Barron that provided information about PPG and its history,  
14 as well as a document that detailed the performance of past PPG projects. Barron had  
15 conversations with several investors concerning PPG's overall plan for the Queen's Court  
16 project, and mentioned that the intended market for the condominium units was first time  
17 homebuyers. Barron represented to at least one investor that previous PPG projects had yielded  
18 returns of ten to fifteen percent.

19 16. Investors in QCB received a document entitled "Risk and Disclosure Letter,"  
20 (RDL) and a copy of the QCB operating agreement prior to investing. PPG issued a receipt of  
21 funds after investment. Some investors received, signed, and returned to PPG, a document  
22 referred to in the receipt of funds as the "Commitment Letter." The Commitment Letter was  
23 intended to represent an investor's commitment to the Queen's Court project. The letter  
24 authorized PPG to spend investment funds on "project-related" costs, to form and manage QCB,  
25 and to secure debt financing at PPG's discretion. The investor also acknowledged that he or she

1 would have to guarantee a bank loan for the purchase and renovation of the Queen's Court  
2 building. At least two QCB investors personally guaranteed a loan from Columbia Bank used to  
3 acquire the Queen's Court building. The letter promised progress reports no less than quarterly.

4 17. For many QCB investors, the RDL was the only disclosure document received  
5 prior to investing. The RDL was generic and intended to be used during all PPG projects. The  
6 RDL given to QCB investors did not make disclosures specific to the Queen's Court project or  
7 disclose risks specific to the Queen's Court project.

8 18. The RDL described PPG's business and identified Barron and Rankin as PPG's  
9 principals. The RDL also stated that PPG owned several limited liability companies that "provide  
10 services to PPG real estate development projects," but did not identify the limited liability  
11 companies by name. The RDL explained that PPG was compensated in the form of commissions  
12 that PPG believed were "market-standard and appropriate." These commissions included: real  
13 estate resale commissions, general contractor profit and overhead, and a management fee.

14 19. The RDL advised investors that, contrary to the Commitment Letter, they *may* be  
15 required to guarantee a bank loan at some point during the project.

16 20. In the RDL, PPG represented that it would deposit investors' funds into "the  
17 account of the entity which has purchased or will purchase the project," once that entity (*i.e.*  
18 QCB) had been formed. Otherwise, PPG promised to hold investors' funds in a trust account  
19 "until [QCB had] been formed." Finally, the RDL advised investors that investing through PPG  
20 "may carry a high degree of risk," and that PPG made "no warranties of safety or suitability of"  
21 the investment. The RDL further advised that costs and market price fluctuations may  
22 significantly affect investment and that potential loss may be exacerbated by high debt levels.

23 21. Investors purchased interests in QCB by writing checks payable to PPG, by  
24 making a wire transfer to one of PPG's accounts, by waiving payments due on notes PPG had  
25 made in exchange for interests in QCB, or by agreeing to convert a return due from a previous

1 PPG project into interests in QCB. One investor purchased interests by giving funds directly to  
2 the bank that loaned a portion of the purchase money at QCB's closing on the Queen's Court  
3 building.

4 22. QCB was a manager-managed limited liability company. Under the terms of  
5 QCB's operating agreement, QCB's members were to take no part in the management of QCB's  
6 business, nor could the members transact business for or bind QCB. QCB's members had the  
7 authority to vote on major transactions contemplated by QCB's managers, such as selling QCB's  
8 assets. The members never exercised these powers.

9 23. In response to the failing real estate market and its effect on PPG's profitability,  
10 PPG abandoned the Queen's Court project. QCB's creditors have foreclosed on the Queen's  
11 Court building. In 2009, Respondents created documents, in lieu of a K-9 form, for the QCB  
12 investors concerning the value of the investments in QCB for tax purposes. These documents  
13 indicated that the QCB interests had no value.

14  
15 *Queen's Court Investors Never Admitted to Queen's Court Building, LLC*

16 24. In order to secure bank financing for the acquisition of the Queen's Court  
17 building, PPG caused QCB to execute a fully subscribed operating agreement no later than July  
18 6, 2006. Some of the QCB members listed in this operating agreement had not in fact invested in  
19 QCB or had invested less than the amount attributed to them in the operating agreement.

20 25. When the operating agreement was executed, Barron and Rankin intended to sell  
21 units in QCB to persons not included as members in the QCB operating agreement and to effect  
22 transfers of units to these investors from several of the QCB members listed in the operating  
23 agreement. PPG accepted funds from at least eight investors not included in the operating  
24 agreement with the intention of complying with the operating agreement's restrictions on unit  
25

1 transfers at a later date. However, the operating agreement severely limited the transfer of QCB  
2 units. Unit holders wishing to sell units were required to honor a right of first refusal held by  
3 QCB and by the other members. Transferees were not admitted as members of QCB unless and  
4 until the members holding seventy five percent of the class A units consented in writing to the  
5 transfer (members could arbitrarily withhold such consent), and applicable state and federal  
6 securities laws were observed.

7  
8 26. Barron told investors who were not included in the operating agreement that  
9 “share transfers” would be completed in order to admit these investors as members of QCB and  
10 to comply with the operating agreement’s restrictions on unit transfers. Respondents never  
11 completed these share transfers and, therefore, these investors were never admitted as members  
12 of QCB under the QCB operating agreement’s terms.

13  
14 *Offer and Sale of Promissory Notes*

15 27. Between approximately January of 2004 and September of 2007, PPG sold at  
16 least twenty five promissory notes worth at least \$2.105 million to at least eleven investors. At  
17 least ten of these investors are Washington residents. Barron and Rankin were co-borrowers and  
18 primarily liable with PPG on at least fourteen of the notes. Barron and Rankin personally  
19 guaranteed several of the notes on which they were not co-borrowers. The notes’ terms ranged  
20 from two weeks to two years. Interest rates on the notes ranged from zero (a loan fee was  
21 charged in lieu of interest) to twenty percent.

22 28. Most of these notes were sold to acquire working capital for PPG’s general  
23 business. Other notes were sold to provide PPG with earnest money that would be applied to  
24 properties PPG had under contract.



1 particular to real estate development, such as title report, the Queen's Court building's tax  
2 assessed value, construction costs, anticipated renovations, and inspection reports. Moreover,  
3 Respondents did not disclose the assumptions they had made concerning their ability to sustain  
4 and complete the Queen's Court project.

5 36. Respondents failed to disclose material information concerning the Queen's Court  
6 project's capital structure to investors. Respondents failed to disclose the project's debt holders,  
7 and the amounts of such debt to at least one investor.

8 37. Respondents failed to provide QCB investors with material information  
9 concerning PPG's debts, including, but not limited to, the promissory notes described in  
10 paragraphs twenty seven through thirty four of the Tentative Findings of Fact. Moreover,  
11 Respondent failed to disclose the effects such debt might have on PPG's ability to complete the  
12 Queen's Court project given PPG's status as the manager of the entities described in paragraphs  
13 six through eight of the Tentative Findings of Fact and as the ultimate manager of QCB.

14 38. Respondents failed to disclose material information concerning the subsidiary  
15 entities PPG owned and managed that were vital to the success of the Queen's Court project.  
16 Barron and Rankin did not identify Conversion Group, Pioneer Properties Northwest, or Pioneer  
17 Renovations. Furthermore, Respondents failed to provide investors with information concerning  
18 those entities' financial condition.

19 39. Respondents failed to disclose material information concerning how QCB  
20 investors' funds may be used. Respondents stated only that investor funds would be used for  
21 closing on the property, to pay PPG's subsidiaries for services performed, and for "project-  
22 related" expenses.

23 40. Respondents failed to disclose material information concerning the risks involved  
24 in investing in QCB. Respondents did not disclose risks including, but not limited to, risks  
25 arising from changes in the real estate regulatory environment, from possible environmental

1 liabilities, and from ownership of real property, such as liability for injury to persons and  
2 property occurring on the real property.

3 41. Respondents made an untrue statement of material fact concerning the amount of  
4 Barron's and Rankin's personal investments in the Queen's Court project. Prior to investing, at  
5 least one investor received a copy of the QCB operating agreement from PPG that indicated that  
6 Barron and Rankin had each invested \$250,000. However, Barron and Rankin had each invested  
7 only \$25,000.

8 42. Respondents made an untrue statement of material fact concerning where QCB  
9 investors' funds would be held. The Risk and Disclosure Letter represented that investors' funds  
10 would be deposited into an account in the name of QCB once QCB had been formed. However,  
11 funds received by PPG from QCB investors after the formation of QCB were deposited into  
12 accounts in the name of PPG.

13 43. Barron and Rankin failed to disclose to QCB investors that Barron and Rankin  
14 had personally guaranteed loans related to other PPG projects. Barron and Rankin also failed to  
15 disclose any conflicts of interest such guarantees might create.

16 44. Respondents made untrue statements of material fact to investors who were not  
17 included in the QCB operating agreement. Respondents entered into agreements entitled  
18 "Purchase and Sale and Assignment of Membership Interest Agreement" with at least three  
19 investors not included in the QCB operating agreement. The agreements conditioned the closing  
20 of the investor's purchase of QCB interests on the "contemporaneous execution by Seller,  
21 Purchaser and [QCB], as well as all of the Members and Managers thereof...of a Consent in Lieu  
22 of a Meeting of the Members and Managers of [QCB]...." PPG deposited each of these  
23 investor's funds into one of PPG's accounts without this condition to closing occurring.

24 45. Barron failed to disclose material facts to investors who were not included in the  
25 QCB operating agreement and also made untrue statements of material facts to such investors.

1 Barron represented to investors not included in the QCB operating agreement that a “share  
2 transfer” would take place in order to comply with the QCB operating agreement’s restrictions  
3 on unit transfers described in paragraph twenty five of the Tentative Findings of Fact. Barron  
4 represented that the share transfer would occur when QCB was “fully capitalized.” Barron did  
5 not state what amount of capital would represent full capitalization or how much capital was  
6 needed before full capitalization was achieved. Moreover, Respondents attempted but failed to  
7 complete share transfers for at least eight investors not included in the QCB operating  
8 agreement. Respondents also failed to attempt a share transfer for at least one investor not  
9 included in the QCB operating agreement.

10 46. Barron and Rankin failed to disclose material facts to promissory note investors  
11 concerning PPG’s financial condition prior to the purchase of the notes. Barron and Rankin did  
12 not reveal the existence of other PPG creditors or discuss how the promissory notes would be  
13 repaid to at least one promissory note investor.

14 47. Respondents failed to disclose material facts to promissory note investors  
15 concerning Barron’s and Rankin’s personal guarantees on such notes. Barron and Rankin did not  
16 provide investors who purchased notes guaranteed by Barron and Rankin information concerning  
17 Barron’s and Rankin’s ability to fulfill such guarantees.

18 48. Respondents failed to disclose material facts concerning the Marlborough House,  
19 LLC to the investor who purchased an interest in Marlborough House, LLC by purchasing a note  
20 from PPG. At the time the note was executed, Marlborough House, LLC had not been  
21 incorporated. The note did not make any disclosures concerning the Marlborough House project  
22 or about PPG’s intention to have Marlborough House, LLC incorporated.

23 49. Respondents failed to disclose material facts concerning the Delorges Building,  
24 LLC to the investor who purchased an option in an interest in Delorges Building, LLC by  
25 purchasing a note from PPG. At the time the note was executed, Delorges Building, LLC had not

1 been incorporated. The note did not make any disclosures concerning the Delorges Building  
2 project or about PPG's intention to have Delorges Building, LLC incorporated.

3  
4  
5 Registration Status

6 *Issuers*

7 50. Queen's Court Building, LLC is not currently and has not previously been  
8 registered to sell its securities in the State of Washington and has not filed a claim of exemption  
9 from registration.

10 51. Pioneer Property Group, LLC is not currently and has not previously been  
11 registered to sell its securities in the State of Washington and has not filed a claim of exemption  
12 from registration.

13 52. Benjamin Rankin is not currently registered and has not previously been  
14 registered to sell his securities in the State of Washington and has not filed a claim of exemption  
15 from registration.

16 53. Chad Barron is not currently registered and has not previously been registered to  
17 sell his securities in the State of Washington and has not filed a claim of exemption from  
18 registration.

19 *Securities salespersons and Broker-dealers*

20 54. Pioneer Property Group, LLC is not currently registered as a broker-dealer in the  
21 State of Washington and has not previously been so registered.

22 55. Benjamin Rankin is not currently registered as a securities salesperson or broker-  
23 dealer in the State of Washington and was not so registered during the time relevant to this  
24 Statement of Charges.



1  
2  
3  
4 **NOTICE OF INTENT TO ORDER THE RESPONDENTS TO CEASE AND DESIST**

5           Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities  
6 Administrator intends to order, pursuant to RCW 21.20.390(1), that Benjamin Rankin; Chad  
7 Barron; Pioneer Property Group, LLC; Queen's Court Building, LLC; their agents and  
8 employees each cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW  
9 21.20.140.  
10

11 **NOTICE OF INTENT TO IMPOSE FINES**

12           Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and  
13 Conclusions of Law, the Securities Administrator intends to order that Benjamin Rankin shall be  
14 liable for and pay a fine of \$10,000.

15           Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and  
16 Conclusions of Law, the Securities Administrator intends to order that Chad Barron shall be  
17 liable for and pay a fine of \$10,000.

18           Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and  
19 Conclusions of Law, the Securities Administrator intends to order that Pioneer Property Group,  
20 LLC shall be liable for and pay a fine of \$10,000.  
21

22 **NOTICE OF INTENT TO RECOVER COSTS**

23           Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and  
24 Conclusions of Law, the Securities Administrator intends to order that Benjamin Rankin, Chad  
25

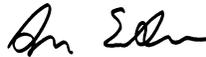
1 Barron, Pioneer Property Group, LLC, and Queen's Court Building, LLC shall be jointly and  
2 severally liable for and shall pay investigative costs of \$5,000.

3  
4  
5 **AUTHORITY AND PROCEDURE**

6 This Statement of Charges is entered pursuant to the provisions of Securities Act and is  
7 subject to the provisions of RCW 34.05. The respondents, Benjamin Rankin, Chad Barron,  
8 Pioneer Property Group, LLC, and Queen's Court Building, LLC may each make a written  
9 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND  
10 OPPORTUNITY FOR HEARING accompanying this order.  
11

12 If a respondent does not request a hearing, the Securities Administrator intends to adopt  
13 the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to cease  
14 and desist permanent as to that respondent.

15 DATED AND ENTERED this 1<sup>st</sup> day of June, 2010.

16 

17  
18 SUZANNE SARASON  
19 Chief of Enforcement

20 Presented by:

21 

22 Edward R. Thunen  
23 Financial Legal Examiner  
24  
25