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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:

Robert DeGroot; Equity Programs  
Corporation; Barton Switzer; Santa Clarita  
Ventures LP; BSD Real Estate Equities, LLC;  
Wes Development Company; Brenton  
Rothschild Group Ltd.; Booth Colorado  
Corporation;

Respondent.

Order No. S-03-072-03-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER AN ORDER TO  
CEASE AND DESIST, SUSPEND  
SECURITIES SALESPERSON  
REGISTRATION, AND IMPOSE FINES

THE STATE OF WASHINGTON TO:

Robert DeGroot; Equity Programs Corporation; Barton  
Switzer; Santa Clarita Ventures LP; BSD Real Estate  
Equities, LLC; Wes Development Company; Brenton  
Rothschild Group Ltd; Booth Colorado Corporation

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents, Robert DeGroot; Equity Programs Corporation; Barton Switzer; Santa Clarita Ventures LP; BSD Real Estate Equities, LLC; Wes Development Company; Brenton Rothschild Group Ltd.; Booth Colorado Corporation, have each violated the Securities Act of Washington. The Securities Administrator believes those violations justify the suspension or revocation of Robert DeGroot's securities salesperson's registration and imposition of fines pursuant to RCW 21.20.110(1), the entry of an order against each Respondent to cease and desist from such violations pursuant to RCW

STATEMENT OF CHARGES AND NOTICE OF INTENT TO  
ENTER AN ORDER TO CEASE AND DESIST, SUSPEND  
SECURITIES SALESPERSON REGISTRATION, AND IMPOSE  
FINES

1

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

1 21.20.390, and the imposition of fines pursuant to RCW 21.20.395. The Securities Administrator finds  
2 as follows:

3 **TENTATIVE FINDINGS OF FACT**

4 **I. Respondents**

5 1. Robert James DeGroot, Jr. has been a securities salesperson since 1981. He has been registered in  
6 the state of Washington as a securities salesperson for the broker-dealer Emmett A. Larkin Company,  
7 Inc. since November 8, 1999. DeGroot is a general securities principal with Emmett A. Larkin  
8 Company, Inc. and is the supervisor for the Everett, Washington branch of that firm. DeGroot was  
9 previously registered in the state of Washington as a securities salesperson for the broker-dealer Equity  
10 Programs Corporation from December 8, 1987 through July 30, 1999. DeGroot was a general securities  
11 principal for Equity Programs Corporation and was the supervisor of the Everett, Washington branch of  
12 that firm. DeGroot's CRD number is 1004871.

13 2. Equity Programs Corporation, a California corporation, was a broker-dealer with its principal place  
14 of business at 8555 Aero Drive #110, San Diego, CA 92123. Equity Programs was registered as a broker-  
15 dealer in the state of Washington from June 22, 1987 through September 2, 1999. Equity Programs  
16 Corporation filed for bankruptcy liquidation under Chapter 7 in the United States Bankruptcy Court for  
17 the Southern District of California on September 2, 1999.

18 3. Barton B. Switzer was President of Equity Programs Corporation. He is also President of Brenton  
19 Rothschild Group Ltd. and the managing member of BSD Real Estate Equities LLC. He is also trustee of  
20 The Noteholder Trust and of Noteholder Trust II. Switzer is a California resident. His CRD number is  
21 705692.

1 4. Booth Colorado Corporation is a Colorado corporation with its principal office at 2160 W Drake  
2 Rd Ste A1, Fort Collins, CO 80526.

3 5. Brenton Rothschild Group Ltd. is a Delaware corporation with its principal place of business at  
4 8555 Aero Drive #110, San Diego, CA 92123.

5 6. BSD Real Estate Equities LLC is a California limited liability company with its principal place of  
6 business at 8555 Aero Drive #110, San Diego, CA 92123. Members of BSD Real Estate Equities LLC  
7 are Barton Switzer (managing member), J. William Baker, Robert DeGroot, and Michael Johnson.

8 7. Santa Clarita Ventures, L.P. is a California limited partnership with its principal place of business  
9 at 8555 Aero Drive #110, San Diego, CA 92123. BSD Real Estate Equities LLC is general partner of  
10 Santa Clarita Ventures, L.P.

11 8. Wes Development Company is a California corporation with its principal office at 11812 Kemper  
12 Rd, Auburn, CA 95603.

## 13 **II. Nature of the Conduct**

14 1. Beginning in 1993 and continuing through August 1999, Robert DeGroot sold investments to his  
15 customers in a series of offerings promoted by Equity Programs. Most of those clients to whom he sold  
16 these investments were unsophisticated investors with little experience in making investments. Many were  
17 telephone company employees who were taking early retirement and therefore needed to invest their lump  
18 sum retirement benefits in order to earn income to support themselves in retirement.

### 19 **Wes Development Company Note Offering I**

20 2. Beginning in August 1993 and continuing through February 1995, DeGroot sold 24 investors WES  
21 Development Company 12% Participating Nonrecourse Secured Promissory Notes totaling more than  
22 \$575,000. The notes had a term of 36 months and were to finance the development of single-family

1 homes under moderately priced programs in La Quinta and Roseville, California. In addition to receiving  
2 interest of 12% per annum payable quarterly, the noteholders were entitled to participate in WES  
3 Development Company's profit on the sale of the completed homes. The private placement memorandum  
4 states that the notes will be secured by cash proceeds from the sale of notes, cash proceeds from the sale of  
5 the projects (the homes constructed pursuant to the agreements with the various municipalities) and /or  
6 trust deeds on the land and improvements of each project. It appears that, at the time the notes were sold,  
7 no real property secured those notes. Nevertheless, Robert DeGroot told a number of the Washington  
8 residents to whom he sold WES Development Company notes that the notes were secured by real  
9 property, and that the notes were therefore safe investments. These purchasers relied on DeGroot's  
10 representations. The proceeds of the sales of the notes were to be controlled by The Noteholder Trust,  
11 which was to be managed by Barton B. Switzer as trustee of The Noteholder Trust. The Noteholder Trust  
12 was also supposed to act on behalf of noteholders in the event of a default on the notes. Switzer, as  
13 trustee, was to receive from WES Development Company 3% of the principal amount of notes sold plus  
14 \$2,000 a month for his services as trustee. Equity Programs Corporation received a selling commission of  
15 10% of the principal amount of the notes as well as an underwriting fee of an additional 3%. Robert  
16 DeGroot received a 9% commission from Equity Programs Corporation on the WES Development  
17 Company notes he sold. WES Development Corporation, by mid-1997 or earlier, had defaulted on the  
18 notes. In 1997, DeGroot arranged for one Everett area noteholder to sell his WES Development  
19 Corporation note to a new Everett area investor, who was also a telephone company employee seeking to  
20 invest his lump sum retirement payment in such a way that it would provide retirement income. DeGroot  
21 told the new investor that he would be able to get his money out of the WES note investment soon. The  
22 Noteholder Trust brought suit and obtained a judgment against WES Development Company and its

1 principal in January 1999. DeGroot communicated with noteholders frequently about the default and the  
2 subsequent litigation.

3  
4 Wes Development Company Note Offering II

5 3. Beginning in June 1995 and continuing through August 1996, Robert DeGroot sold investments in  
6 a second WES Development Company offering of 12% participating nonrecourse promissory notes. The  
7 proceeds of this offering were supposed to be used to fund WES Development Company potential  
8 affordable housing projects in Auburn, California; Sparks, Nevada; or elsewhere. The terms of these notes  
9 were substantially the same as those of the first WES Development Company note offering. As with the  
10 earlier offering, DeGroot told at least some investors that the notes in this offering were secured by real  
11 estate. He told most investors that the notes were safe investments. The proceeds of the sales of the notes  
12 were to be controlled by Noteholder Trust II, which was to be managed by Barton B. Switzer as trustee of  
13 Noteholder Trust II. Noteholder Trust II was also supposed to act on behalf of noteholders in the event of  
14 a default on the notes. Switzer, as trustee, was to receive from WES Development Company 3% of the  
15 principal amount of notes sold plus \$2,000 a month for his services as trustee. Equity Programs  
16 Corporation was to receive a selling commission of up to 10% of the principal amount of notes sold. In  
17 addition to the selling commission, Equity Programs Corporation was to receive an underwriting fee of  
18 3.5% of the principal amount of notes sold. Robert DeGroot received a commission of 8% or 9% from  
19 Equity Programs Corporation on the sales of WES Development Company notes he made in the second  
20 offering of notes. The notes sold in the second WES Development Company offering have been in default  
21 since mid-1997.

1 Brenton Rothschild Group Ltd Note Offering

2 4. Beginning in February 1994 and continuing through December 1995, Robert DeGroot sold  
3 investments totaling at least \$195,000 in Brenton Rothschild Group, Ltd 12% participating notes to at least  
4 14 investors. Brenton Rothschild Group, Ltd. was a marketing company that was supposed to market  
5 securities offerings Equity Programs Corporation put together to other broker-dealers who would then sell  
6 the offerings. Among the offerings to be marketed were the two WES Development Company note  
7 offerings described above. The Brenton Rothschild Group Ltd. notes had a term of one year. They paid  
8 12% interest per annum plus a payment of 3% per annum contingent on Brenton Rothschild's successful  
9 funding of the securities offerings it was marketing on behalf of Equity Programs. The Brenton  
10 Rothschild Group Ltd. offering materials provide no information about the financial condition of Brenton  
11 Rothschild Group Ltd., no information about how Brenton Rothschild Group Ltd. was planning to  
12 generate the funds to pay principal and interest to noteholders, no information about what contractual  
13 arrangements, if any, Brenton Rothschild Group Ltd. had with Equity Programs Corporation. Robert  
14 DeGroot told investors that the Brenton Rothschild Group Ltd. was a good short-term investment. He said  
15 that Brenton Rothschild Group Ltd. was run by a friend of his. He told at least one investor that she could  
16 get her money out at any time. He sold Brenton Rothschild Group Ltd. notes to investors whom he knew  
17 had to have their investments back in a short period of time to meet their financial obligations or needs.  
18 DeGroot extended the Brenton Rothschild Group Ltd. note of at least one investor for 120 days beyond its  
19 term without that owner's permission. Some Brenton Rothschild Group Ltd. noteholders, who were very  
20 persistent in requesting repayment, have been paid. Other noteholders have still not been paid.

1 Booth Colorado Corporation Note Offering

2 5. Beginning in August 1994 and continuing through February 1995, Robert DeGroot sold  
3 investments totaling more than \$113,000 in 12% Secured Real Estate Notes issued by Booth Colorado  
4 Corporation to at least nine investors. The purpose of the offering was to pay pre-development costs on  
5 three unimproved properties located in Colorado. The notes were to be secured by a certain 5-acre parcel  
6 of land in Windsor, Colorado. At the time of the offering, this land was not yet owned by Booth Colorado  
7 Corporation, but investors were promised that as a group, they, as noteholders, would be granted a first  
8 deed of trust on the property. The offering materials included a letter of value from a real estate appraiser  
9 saying that the market value of the property was \$600,000. It does not appear that the investors were ever  
10 granted a security interest in the Windsor, Colorado property. The notes were to pay interest at 12% per  
11 annum. The notes were for a term of one year, which term could be extended for another six months, at  
12 the option of Booth Colorado Corporation. If the notes were extended, the investors were to receive an  
13 additional 2% extension fee. The offering materials provided to investors do not explain how Booth  
14 Colorado Corporation planned to get the cash necessary to pay the interest and principal on the notes. The  
15 Booth Colorado Corporation notes were not paid according to their terms and are still in default. Equity  
16 Programs Corporation received a 9% selling commission in connection with the sale of Booth Colorado  
17 Corporation as well as a 1% nonaccountable expense allowance. Robert DeGroot hosted a meeting of  
18 investors at his office after the Booth Colorado Corporation note default. Barton Switzer attended this  
19 meeting. At the meeting, Switzer solicited the investors to contribute to a fund for bringing a lawsuit to  
20 recover moneys invested. Most of the investors agreed to participate.

1 BSD Real Estate Equities, LLC Note Offering

2 6. In mid-1997, DeGroot sold a promissory note offered by BSD Real Estate Equities, LLC to a  
3 Washington resident. The note was part of an offering in which BSD Real Estate Equities, LLC raised  
4 approximately \$300,000 in order to finance the development of the Cimarron real estate project in Sparks,  
5 Nevada. The real estate project was one that Wes Development Company was supposed to develop but  
6 never did develop. The Cimarron lots that were to be developed with the proceeds of the BSD Real Estate  
7 Equities, LLC offering were never purchased and never developed. The investor to whom DeGroot sold  
8 the interest was not aware that DeGroot was one of the members of BSD Real Estate Equities, LLC. The  
9 BSD Real Estate Equities, LLC notes are in default.

10 Santa Clarita Ventures, LP Offering of Limited Partnership interests

11 7. Beginning in April 1999 and continuing through August 1999, DeGroot offered and sold limited  
12 partnership interests in Santa Clarita Ventures, LP to at least seven Washington residents, who invested a  
13 total of \$154,000. Each Washington purchaser invested between \$20,000 and \$25,000 in Santa Clarita  
14 Ventures, LP. The property the partnership planned to acquire was 17 acres of land, zoned for medium  
15 density residential, located in Santa Clarita, California. It was vacant except for 11 oil wells that had been  
16 drilled on it. The seller of the land had not agreed to indemnify the buyer for hazardous substances found  
17 on the property. The offering was to raise between \$25,000 and \$1,600,000. With the funds raised, the  
18 limited partnership, through a joint venture called Sierra Highway Ventures, Ltd., was to purchase the  
19 land, obtain a change in zoning, and to erect and operate mini-warehouse units on the property. DeGroot  
20 said that the developer who was going to build the mini-warehouse project had a good track record. Equity  
21 Programs Corporation, as managing dealer for the offering was to receive a 10% commission on the  
22 limited partnership interests it sold and also to receive a managing dealer fee of up to 5% of the gross



1 proceeds of the offering. BSD Real Estate Equities, LLC was to receive an acquisition and due diligence  
2 fee of \$100,000 on the funding of the partnership. BSD Real Estate Equities, LLC was also to receive a fee  
3 of \$5,000 per month for administering the partnership and a share in the profits of the partnership after a  
4 preferred return was paid to the limited partners. DeGroot did not tell offerees or purchasers that he and  
5 Equity Programs Corporation had sold a series investments in other investment programs that Equity  
6 Programs Corporation and Barton Switzer had sponsored and that some or all of those investment  
7 programs had been in default in their obligations to investors for a year or more. The written offering  
8 materials also did not advise potential purchasers that other investment programs Equity Programs  
9 Corporation had sponsored and sold to its brokerage customers were in default to those customers. The  
10 written offering materials for Santa Clarita Ventures limited partnership interests state that the general  
11 partner believes that it has the financial resources to fulfill its responsibilities to the partnership. However,  
12 the offering materials do not include any financial statements for the general partner or other specific  
13 information about its financial condition. The offering materials include no financial statements for Santa  
14 Clarita Ventures, nor any financial statements for Santa Clarita Ventures LP's joint venture partner, Phillip  
15 Schwartze, nor any financial statements for Sierra Highway Ventures, Ltd., the joint venture into which  
16 Santa Clarita Ventures LP was the managing partner. The offering materials include financial projections  
17 for Santa Clarita Ventures LP showing that an investor who invested \$50,000 would receive a total of  
18 \$106,664 (consisting of accumulated preferred return, net proceeds from the sale of property, and return of  
19 capital) back by the end of the fourth year for a total annualized rate of return of 28.4%. The offering  
20 materials include no explanation of the assumptions on which the projections are based nor of the factual  
21 basis, if any, on which those assumptions were developed.

1 8. DeGroot sold limited partnership units in Santa Clarita Ventures LP to investors whose expressed  
2 investment objectives included: long term growth with liquidity, long term growth (4 investors), growth  
3 and income with liquidity, and long term growth—some income. Several of the purchasers had made  
4 arrangements with Equity Programs Corporation to make periodic payments from their Equity Programs  
5 Corporation brokerage accounts in order to pay living expenses until the investors were old enough to  
6 qualify to receive social security payments. DeGroot told at least one purchaser of Santa Clarita Ventures  
7 LP limited partnership units that the investor should depart from his conservative investment objectives in  
8 order to invest in Santa Clarita Ventures LP limited partnership units. The written offering materials for  
9 Santa Clarita Ventures LP limited partnership units state that the offering is speculative, contains  
10 restrictions on transfer, and may be difficult to resell. DeGroot nonetheless recommended the investment  
11 to customers, at least four of whom were former telephone company employees in their early fifties who  
12 had just accepted early retirement and received lump sum retirement benefits. DeGroot orally advised the  
13 customers that they had nothing to worry about if they purchased limited partnership units in Santa Clarita  
14 Ventures LP, despite the disclaimers in the offering materials. Santa Clarita Ventures LP never built mini-  
15 warehouses on the property. DeGroot told Santa Clarita Ventures LP limited partners that they would be  
16 paid when the land was sold. He later said that the sale of property had fallen through.

17 Unauthorized transaction in customer account without written discretionary authority

18 9. In May 1999, DeGroot purchased Microsoft stock in the account of one of his Equity Programs  
19 Corporation brokerage customers without that customer's permission. DeGroot did not have written  
20 permission from the customer to make discretionary transactions in the customer's account.

1 **III. Registration of Offerings**

2 10. Neither Wes Development Company; nor Brenton Rothschild Group, Ltd.; nor Booth Colorado  
3 Corporation; nor BSD Real Estate Equities, LLC; nor Santa Clarita Ventures, LP has registered to sell its  
4 securities in the state of Washington.

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

6 **CONCLUSIONS OF LAW**

7 1. Robert DeGroot engaged in a dishonest or unethical practices in the securities business, as  
8 defined by WAC 460-22B-090(7), by recommending the purchase of securities without reasonable  
9 grounds to believe that his recommendations were suitable for the customer based on the customer's  
10 objectives, financial situation, and needs. Such practice is grounds for the suspension of his salesperson  
11 registration pursuant to RCW 21.20.110(1)(g).

12 2. Robert DeGroot, as described in Tentative Findings of Fact paragraphs 4 and 9, engaged in  
13 a dishonest or unethical practice in the securities business, as defined by WAC 460-22B-090(8) and (9), by  
14 executing a transaction on behalf of a customer without authorization to do so and/or executing  
15 discretionary power in effecting a transaction for a customer's account without first obtaining written  
16 discretionary authority from the customer.

17 3. Robert DeGroot; Equity Programs Corporation; Barton Switzer; Santa Clarita Ventures LP;  
18 BSD Real Estate Equities, LLC; Wes Development Company; Brenton Rothschild; and Booth Colorado;  
19 as described above, in connection with the offer and sale of securities, made untrue statements of  
20 material fact or omitted to state material facts necessary in order to make the statements made, in light of  
21 the circumstances under which they were made, not misleading, in violation of RCW 21.20.010. Such  
22

1 practice is grounds for the suspension of Robert DeGroot's salesperson registration pursuant to RCW  
2 21.20.110(1)(b).

3 4. Robert DeGroot; Equity Programs Corporation; Barton Switzer; Santa Clarita Ventures LP;  
4 BSD Real Estate Equities, LLC; Wes Development Company; Brenton Rothschild; and Booth Colorado;  
5 as described above, offered and sold unregistered securities in violation of RCW 21.20.140. Such  
6 practice is grounds for the suspension of Robert DeGroot's salesperson registration pursuant to RCW  
7 21.20.110(1)(b).

#### 8 **NOTICE OF INTENTION TO ORDER THE RESPONDENT TO CEASE AND DESIST**

9 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities  
10 Administrator intends to order that respondents Robert DeGroot; Equity Programs Corporation; Barton  
11 Switzer; Santa Clarita Ventures LP; BSD Real Estate Equities, LLC; Wes Development Company;  
12 Brenton Rothschild; and Booth Colorado Corporation each cease and desist from violation of RCW  
13 21.20.010, the section of the Securities Act of Washington prohibiting fraud in the offer and sale of  
14 securities, and from violation of RCW 21.20.140, the section of the Securities Act of Washington  
15 prohibiting the sale of unregistered securities.

#### 16 **NOTICE OF INTENT TO SUSPEND REGISTRATION**

17 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and  
18 Conclusions of Law, the Securities Administrator intends to order that the securities salesperson  
19 registration of Robert DeGroot be suspended for a period of five years.

#### 20 **NOTICE OF INTENT TO IMPOSE FINES**

21 Based upon the offers and sales of unregistered securities to Washington residents, by registered  
22 and unregistered broker-dealers and/or salespersons, the misrepresentations and omissions contained

1 in those offers and sales, and upon the above Tentative Findings of Fact and Conclusions of Law, the  
2 Securities Administrator finds that one or more knowing or reckless violations of the Securities Act  
3 have occurred such that the imposition of fines is appropriate pursuant to RCW 21.20.110(3) and/or  
4 RCW 21.20.395. Therefore, the Securities Administrator intends to order that:

- 5 a. Respondent Robert DeGroot be liable for and pay a fine of no more than \$50,000.
- 6 b. Respondent Barton Switzer be liable for and pay a fine of no more than \$50,000.

7 **NOTICE OF INTENT TO ORDER RESPONDENT TO CEASE AND DESIST**

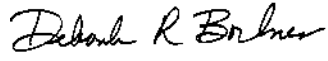
8 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and  
9 Conclusions of Law, the Securities Administrator intends to order that each Respondent permanently  
10 cease and desist from violations of RCW 21.20.010.

11 **AUTHORITY AND PROCEDURE**

12 This Order is entered pursuant to the provisions of RCW 21.20.110, RCW 21.20.390, and RCW  
13 21.20.395, and is subject to the provisions of Chapter 21.20 RCW and Chapter 34.05 RCW. Each  
14 Respondent may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY  
15 TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a Respondent does  
16 not request a hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of  
17 Fact and Conclusions of Law as final, and enter a permanent cease and desist order against that  
18 Respondent and impose the fines sought. If Respondent Robert DeGroot does not request a hearing, the  
19 Securities Administrator also intends, in addition to entering a permanent cease and desist order against  
20 him and imposing fines upon him, to enter a final order suspending his securities salesperson's  
21 registration for a period of five years.

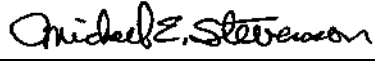
22 DATED this 2<sup>nd</sup> day of December, 2003.

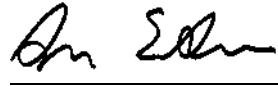
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DEBORAH R. BORTNER  
Securities Administrator

Approved by:

Presented by:

  
Michael E. Stevenson  
Chief of Enforcement

  
Suzanne Sarason  
Financial Legal Examiner