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**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

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IN THE MATTER OF DETERMINING) Order No. S-09-078-12-CO01
whether there has been a violation of the)
Securities Act of Washington by:) CONSENT ORDER
)
John W. Tedmon and Michelle M. Bolland,)
)
Respondents)

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INTRODUCTION

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On July 7, 2010, the Chief of Enforcement of the Securities Division of the Department of Financial Institutions (“Securities Division”) issued a Statement of Charges and Notice of Intent to Enter an Order to Cease and Desist, to Impose a Fine, and to Charge Costs, Order Number S-09-078-10-SC01, against Respondents, John W. Tedmon and Michelle M. Bolland. Pursuant to the Securities Act of Washington, chapter 21.20 RCW, the Securities Division and Respondents, John W. Tedmon and Michelle M. Bolland, do hereby enter into this CONSENT ORDER in settlement of the matters alleged herein. Respondents, John W. Tedmon and Michelle M. Bolland, neither admit nor deny the Findings of Fact and Conclusions of Law as stated below.

FINDINGS OF FACT

Respondents

1. John W. Tedmon (“Tedmon”) is a Washington resident whose principal place of business is located in Yelm, Washington. Tedmon has a group of companies that he refers to as the Financial Forum Group. Tedmon and his companies offer financial products and services, including life insurance policies, income tax advice about home-based businesses, and income tax return preparation.

2. Michelle M. Bolland (“Bolland”) is Tedmon’s daughter. Bolland is a Washington resident and she works at the same business address as Tedmon. Bolland is a managing member of Tedmon’s

1 companies and she does the bookkeeping and accounting for those companies. Bolland is also a
2 licensed loan originator and the designated broker for Mortgage Forum Group, a licensed mortgage
3 broker.

4 Offering of Investments to Finance a Business Enterprise

5 3. From 2006 through 2010, Tedmon has offered and sold a total of more than \$850,000 worth of
6 promissory note and deed of trust investments to at least ten Washington investors. Tedmon represented
7 to investors that the investments would be secured by deeds of trust against real property and that the
8 investments would be safe. Tedmon represented to investors that the investments would pay a higher
9 than market rate of interest. Tedmon represented to investors that Tedmon would use the proceeds from
10 the investments to capitalize his business enterprise.
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12 Offering of Investments with Promissory Notes and Deeds of Trust Issued by Tedmon

13 4. From 2006 through 2009, Tedmon offered and sold more than \$280,000 worth of promissory
14 note and deed of trust investments to at least four Washington investors. The promissory notes and
15 deeds of trust were issued by Tedmon. The notes had 10% or 11% annual interest rates and terms
16 ranging from approximately one year to approximately three years. The promissory notes were secured
17 by real property deeds of trust against Tedmon's home. The proceeds from the notes were to be used to
18 provide working capital for Tedmon's companies.
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20 5. When offering and selling the investments, Tedmon represented that investor funds would be
21 used in Tedmon's business activities to generate a profit for Tedmon and for the investors. The
22 investors had no control over the use of their invested funds and the investors did not participate in the
23 operation or management of Tedmon's business.
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1 Misrepresentations and Omissions

2 6. When offering and selling the promissory note and deed of trust investments, Tedmon failed to
3 disclose to investors that he did not promptly record the deeds of trust that secured the investments and
4 that he did not always record the deeds of trust in date order. Tedmon failed to disclose the position of
5 the deed of trust that secured each investment. Tedmon failed to disclose the risks of having a
6 subordinated deed of trust. Tedmon failed to disclose the value of the real property that was subject to
7 the deeds of trust. Tedmon failed to disclose that the real property that secured the investments was
8 encumbered by a first position deed of trust for more than \$300,000 for Tedmon's mortgage loan and
9 that the tax assessed value of the property from 2006 through 2009 was less than \$425,000. Tedmon
10 failed to disclose any specific use of proceeds from the investments. Tedmon failed to give the investors
11 financial information about Tedmon, including a financial statement or a credit report. Tedmon failed to
12 give the investors financial information about Tedmon's companies, including financial statements.
13 Tedmon failed to disclose that at least three of his companies had generated net losses from 2006
14 through 2009. Tedmon failed to disclose to investors that he had filed for personal bankruptcy in 2000
15 and that he had filed for personal and corporate bankruptcy in 1976.

16 Offering of Investments with Promissory Notes Issued by Forum Equity Management Company
17 and Deeds of Trust Issued by Tedmon

18 7. During 2008, Tedmon offered and sold \$400,000 worth of promissory note and deed of trust
19 investments for Forum Equity Management Company to at least two Washington investors. The
20 promissory notes were issued by Tedmon's company, Forum Equity Management Company, and were
21 secured by deeds of trust issued by Tedmon. The notes had annual interest rates ranging from 10% to
22 12% and terms ranging from approximately three years to more than eleven years. The proceeds from
23 the notes were to be used to provide working capital for Forum Equity Management Company. The
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1 promissory notes were secured by real property deeds of trust against Tedmon's home. The investors
2 had no control over the use of their invested funds and they were each relying upon Tedmon to generate
3 a return on their investment.

4 Misrepresentations and Omissions

5 8. When offering and selling the Forum Equity Management Company promissory note and deed
6 of trust investments, Tedmon failed to disclose to investors the position of the deed of trust that secured
7 the investment. Tedmon failed to disclose the risks of having a subordinated deed of trust. Tedmon
8 failed to disclose the value of the real property that was subject to the deed of trust. Tedmon failed to
9 disclose that the real property that secured the investment was already encumbered by a first position
10 deed of trust for more than \$300,000 for Tedmon's mortgage loan and that the tax assessed value of the
11 property during 2008 was less than \$425,000. Tedmon failed to disclose the specific use of proceeds
12 from the investment. Tedmon failed to give the investors financial information about Forum Equity
13 Management Company, including financial statements. Tedmon failed to give the investors financial
14 information about Tedmon, including a financial statement and a credit report. Tedmon failed to
15 disclose that Tedmon had filed for personal bankruptcy in 2000 and that he had filed for personal and
16 corporate bankruptcy in 1976.

17 Offering of Investments with Promissory Notes and Deeds of Trust Issued by Bolland

18 Investments with Deeds of Trust against Bolland's rental home

19 9. During 2009, Tedmon offered and sold at least two promissory note and deed of trust
20 investments totaling \$80,000 to two Washington investors. The promissory notes and deeds of trust
21 were issued by Bolland. The promissory notes were secured by real property deeds of trust against a
22 rental home owned by Bolland. Bolland gave the promissory notes and deeds of trust to secure
23 investments that were being offered and sold by Tedmon in order to raise working capital for Tedmon's
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1 companies. The promissory notes had annual interest rates ranging from 10% to 12% and terms ranging
2 from approximately six months to approximately two years. Tedmon represented that investor funds
3 would be used by Tedmon to generate profits for the investors and for Tedmon. Tedmon represented
4 that investor funds would be used for a business purpose. The investors had no control over the use of
5 their invested funds and did not participate in Tedmon's business activities. The investors were each
6 relying upon Tedmon to generate a return on their investment.

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8 Misrepresentations and Omissions

9 10. In connection with the offer and sale of investments with promissory notes and deeds of trust
10 that were issued by Bolland, Respondents each failed to disclose to investors the position of the deed of
11 trust that secured the investments. Respondents each failed to disclose the risk of having a subordinated
12 deed of trust. Respondents each failed to disclose the value of the real property securing the
13 investments. Respondents each failed to disclose the specific use of proceeds from the investments.
14 Respondents each failed to give investors financial information about Bolland or about Tedmon's
15 companies, including a financial statement. Respondents each failed to disclose that Tedmon filed for
16 personal bankruptcy in 2000, that Tedmon filed for personal and corporate bankruptcy in 1976, and that
17 Bolland filed for personal bankruptcy during 2000.

18 Investments with Deeds of Trust against Tedmon's home

19 11. During 2009 and 2010, Tedmon offered and sold at least three promissory note and deed of
20 trust investments totaling \$105,000 to three Washington investors. The promissory notes and deeds of
21 trust were issued by Bolland. Bolland gave the promissory notes and deeds of trust to secure
22 investments that were being offered and sold by Tedmon in order to raise working capital for Tedmon's
23 companies. The promissory notes had 12% annual interest rates and were purportedly secured by real
24 property deeds of trust against Tedmon's home.
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1 12. When offering and selling the investments with promissory notes and deeds of trust that were
2 issued by Bolland, Tedmon represented that investor funds would be used by Tedmon to generate profits
3 for the investors and for Tedmon. Tedmon represented that investor funds would be used for a business
4 purpose. The investors had no control over the use of their invested funds and did not participate in
5 Tedmon's business activities. The investors were each relying upon Tedmon to generate a return on
6 their investment.

7 Misrepresentations and Omissions

8 13. In connection with the offer and sale of investments with promissory notes and deeds of trust
9 that were issued by Bolland, Respondents each failed to disclose to investors the position of the deed of
10 trust that secured the investments. Respondents each failed to disclose the risk of having a subordinated
11 deed of trust. Respondents each failed to disclose the value of the real property securing the
12 investments. Respondents each failed to disclose the specific use of proceeds from the investments.
13 Respondents each failed to give investors financial information about Bolland or about Tedmon's
14 companies, including a financial statement. Respondents each failed to disclose that Tedmon filed for
15 personal bankruptcy in 2000, that Tedmon filed for personal and corporate bankruptcy in 1976, and that
16 Bolland filed for personal bankruptcy during 2000. Respondents each failed to disclose that Bolland had
17 no real property security interest against Tedmon's home.

18 Tedmon's Prior Consent Order

19 14. In connection with the offer and sale of promissory note and deed of trust investments,
20 Respondents each failed to disclose to investors that Tedmon had entered into a Consent Decree for
21 Permanent Cease and Desist, Order Revoking Broker-Dealers License and Suspension of Revocation
22 ("Consent Order"), Order Number SDO-26-82, with the Securities Division during March 1982. In the
23 Consent Order, Tedmon agreed not to offer or sell any securities under exemptions from the Washington
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1 Securities Act unless Tedmon filed a notice thirty (30) business days prior to such offer or sale and
2 obtained a no-action letter from the Securities Division for such filing. Tedmon further agreed not to
3 offer or sell any securities in violation of RCW 21.20.010, the anti-fraud provision of the Securities Act
4 of Washington.

5 Tedmon's Registration Status

6 15. From 2006 to present, Tedmon has not been registered to sell any offering of securities in the
7 state of Washington. From 2006 to present, Tedmon has not made any filings with the Securities
8 Division or requested any no action letters in connection with any of the offerings of securities described
9 above.

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

11 **CONCLUSIONS OF LAW**

12 **I.**

13 The offer or sale of the promissory note and deed of trust investments described above constitutes
14 the offer or sale of a security as defined in in RCW 21.20.005(14) and (17), formerly codified as RCW
15 21.20.005(10) and (12), whether in the form of an investment contract, a note, or an evidence of
16 indebtedness.
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18 **II.**

19 As set forth in the Findings of Fact, Tedmon has violated RCW 21.20.140 because no registration
20 for such offer or sale of said securities is on file with the Securities Administrator.
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22 **III.**

23 As set forth in the Findings of Fact, Tedmon and Bolland have each violated RCW 21.20.010
24 because, in connection with the offer and sale of said securities, Respondents each made an untrue
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1 statement of a material fact or omitted to state a material fact necessary in order to make the statements
2 made, in the light of the circumstances under which they were made, not misleading.

3 IV.

4 As set forth in the Findings of Fact, Tedmon has violated a Securities Division administrative
5 order, Order Number SDO-26-82, issued under RCW 21.20.390.

6 **CONSENT ORDER**

7 Based upon the foregoing and finding it in the public interest:

8 IT IS AGREED AND ORDERED that Respondents, John W. Tedmon and Michelle M. Bolland,
9 and their agents and employees each shall cease and desist from violating RCW 21.20.140, the securities
10 registration section of the Securities Act of Washington.

11 IT IS FURTHER AGREED AND ORDERED that Respondents, John W. Tedmon and Michelle
12 M. Bolland, and their agents and employees each shall cease and desist from violating RCW 21.20.010,
13 the anti-fraud section of the Securities Act of Washington.

14 IT IS FURTHER AGREED AND ORDERED that Respondent, John W. Tedmon, based upon
15 filings made with the Securities Division, shall be liable for and shall pay a fine of \$2,000 prior to the
16 entry of this Consent Order.

17 IT IS FURTHER AGREED AND ORDERED that Respondent, Michelle M. Bolland, shall be
18 liable for and shall pay investigative costs of \$1,000 prior to the entry of this Consent Order.

19 IT IS FURTHER AGREED that the Securities Division has jurisdiction to enter this Consent
20 Order.

21 IT IS FURTHER AGREED that Respondents, John W. Tedmon and Michelle M. Bolland, each
22 enter into this Consent Order freely and voluntarily and with a full understanding of its terms and
23 significance.
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1 IT IS FURTHER AGREED that in consideration of the foregoing, Respondents, John W. Tedmon
2 and Michelle M. Bolland, each waive their right to a hearing and to judicial review of this matter
3 pursuant to RCW 21.20.440 and Chapter 34.05 RCW.
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5 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

6 Signed this 13th day of January, 2012

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8 Signed by: Approved for entry by:
9
10 /s/ John W. Tedmon /s/ Jack G. Orr
11 John W. Tedmon Jack G. Orr
12 WSBA #6740

13 Signed by:
14
15 /s/ Michelle M. Bolland
16 Michelle M. Bolland

17 SIGNED and ENTERED this 30th day of January, 2012

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19 
20 WILLIAM M. BEATTY
21 Securities Administrator

22 Approved by:
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25 Suzanne E. Sarason
Chief of Enforcement

Presented by:


Janet So
Enforcement Attorney

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Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor