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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:

DORSEY E. ROWAN, JR.,

Respondent.

SDO - 011 - 01

Statement of Charges and Notice of Intent to Enter an
Order to Cease and Desist, Revoke Registration, Order
Restitution, and Impose Fines

Case No. 00 - 12 - 504

THE STATE OF WASHINGTON TO:

Dorsey E. Rowan, Jr.
4101 SW Holden
Seattle, Washington 98136

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondent, Dorsey E. Rowan, Jr., has violated the Securities Act of Washington by offering and/or selling unregistered non-exempt securities, by making material misrepresentation and omissions in the course of those offers and/or sales, and by recommending unsuitable investments to his customers. The Securities Administrator believes that these violations justify the entry of an order suspending or revoking Respondent's securities salesperson registration and imposing fines pursuant to RCW 21.20.110. Furthermore, these violations justify the entry of an order against Rowan to cease and desist from such violations, ordering restitution, and imposing fines pursuant to RCW 21.20.390.

The Securities Administrator makes the following Tentative Findings of Fact:

TENTATIVE FINDINGS OF FACT

I. RESPONDENT

1. Dorsey E. Rowan, Jr. ("Rowan") is registered with the State of Washington as a securities salesperson for Pacific West Securities, Inc. ("Pacific West"). Pacific West is a registered broker-dealer of

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Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8700

1 securities, and has its principal place of business at One Renton Place, 555 South Renton Village Place,
2 Suite 700, in Renton. Rowan operates from an unregistered home office located in Seattle.

3 II. NATURE OF THE VIOLATIONS

4 2. In January 1992, Nu West, Inc. ("Nu West"), a Washington corporation, began the offer and sale of
5 securities in the form of fractional interests in promissory notes secured by deeds-of-trust (the "Nu West
6 securities"). An investigation by the Securities Division revealed that the Nu West securities were not
7 registered or exempt from registration, that many of the promissory notes and deeds-of-trust had been
8 forged, and that the written documents describing the properties contained, in many cases, false
9 information. On October 25, 2000, the Securities Division entered a Summary Cease and Desist Order
10 against Nu West, SDO 87-00. In November 2000, Nu West defaulted on its interest payments to investors
11 and the firm is currently in receivership. It appears that more than 250 investors are facing losses of more
12 than \$50 million, including 15 Pacific West customers who have lost more than \$2 million.

13 3. Between April 1995 and January 2000, while employed as a securities salesperson by Pacific West,
14 Rowan offered and sold Nu West securities to more than 30 Washington residents. In marketing the Nu
15 West securities Rowan described them as fully secured high-yield investments providing annual returns of
16 15% to 20%. Rowan claimed that an investor's principal would be secured by a deed-of-trust; that in the
17 event of a default on the promissory note by the borrower, Nu West would continue to make interest
18 payments to investors while foreclosing on the property; and that in every case an investor would receive a
19 full return of principal. Rowan claimed to have personally invested close to \$1,000,000 with Nu West,
20 and that Nu West had never missed an interest payment or had a borrower default on a note.

21 4. In early 1995, Rowan discovered that Nu West had not recorded with the appropriate county
22 auditor's office a deed of trust and assignment necessary to perfect an investor's interest in a transaction.
23 In January 1996, and again in January 1997, Rowan discovered other transactions where Nu West had
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1 failed to record the required documents. In every case, Rowan simply accepted Nu West's explanation for
2 the failure to record the required documents. Rowan failed to do any further investigation, and continued
3 to offer and sell the Nu West securities without verifying that the required documents were being recorded.

4 5. In 1998, Rowan discovered that some of the sales packages prepared by Nu West failed to include
5 material documents, such as title and credit reports, about the security. Rowan accepted Nu West's
6 explanation as to the missing documents, failed to do any further investigation, and continued to offer and
7 sell the Nu West securities using the deficient sales packages.

8 6. By January 1999, Nu West had failed to provide investors with copies of recorded deeds-of-trust and
9 assignments in fifteen transactions; had failed to provide investors with copies of material disclosure
10 documents in two other transactions; and had failed to pay investors on three others. Over the next year,
11 aware of these and similar, on-going deficiencies, Rowan proceeded to withdraw more than \$400,000 of
12 his own money from Nu West while continuing to offer and sell the Nu West securities to his customers.

13 7. When setting up initial Nu West accounts with his customers, Rowan failed to inquire into the
14 customers' investment goals and objectives, investment experience, risk tolerance, tax situation, other
15 security holdings, or financial situation and needs. Rowan failed to consider these factors before
16 recommending that his customers invest in the Nu West securities.

17 8. In April 1995, Rowan offered Nu West securities to a Seattle, Washington resident and Pacific West
18 customer. Rowan described the securities as promissory notes secured by first-position deeds-of-trust on
19 real estate. Rowan told the resident that the notes would earn between 14% and 15% interest per year, and
20 that investors could retain up to 3% of the loan amount as a loan fee. Rowan never disclosed the risks
21 associated with Nu West, the Nu West securities, or addressed the issue of their suitability.

22 9. On or about April 21, 1999, Rowan offered a Nu West security to the resident. Rowan failed to
23 provide any disclosure documents regarding the investment. Relying solely on Rowan's advice and
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1 representation that this was a secure investment, the resident invested \$67,000. Nu West stopped making
2 interest payments on the security in November 2000 and has failed to repay the principal.

3 10. In late 1996 another Seattle Washington resident met with Rowan at his home office. The resident
4 told Rowan she was an extremely risk-averse and conservative investor whose primary concern was safety
5 of principal. Rowan recommended that she liquidate her holdings, which consisted primarily of tax-free
6 bond funds, and invest in individual stocks and Nu West securities. Rowan stated that she could earn 18%
7 to 20% per year by investing in Nu West securities with no risk to her principal, describing the Nu West
8 securities as essentially risk-free. Rowan never disclosed the risks associated with Nu West, the Nu West
9 securities, or addressed the issue of their suitability.

10 11. The Seattle resident opened an account with Pacific West, investing in both stocks and Nu West
11 securities. Between April and December 1999, Rowan offered and sold this customer four Nu West
12 securities. The only disclosure Rowan provided on these securities was a one-page document providing a
13 summary of the investment. Relying solely on Rowan's recommendation that she invest in these
14 securities, the customer invested \$260,000 in the transactions. Nu West stopped making the interest
15 payments on these securities in November 2000 and has failed to repay the principal.

16 12. In May 1996, Rowan contacted a Richland, Washington resident, about investing in Nu West
17 securities. The resident said that he was interested in investing in stocks, but had no experience regarding
18 securities or the securities markets. Rowan said that the resident should invest in Nu West securities
19 instead of stocks, as they were more secure, more stable, and provided a higher return than stocks. Rowan
20 stated that the resident could earn an annual return of 15% plus retain up to 3% of the loan amount as a
21 loan fee. Rowan never disclosed the risks associated with Nu West, the Nu West securities, or addressed
22 the issue of their suitability.
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1 13. On or about April 3, 1996, the resident received a Nu West loan package from Rowan. Following
2 Rowan's instructions, the resident invested \$25,000 in the offer. The investment was paid in full on or
3 about November 7, 1996. Between August 1996 and December 1998 Rowan offered and sold this
4 customer seven more Nu West investments. Rowan represented that some of the recommended
5 transactions were essentially risk-free, claiming they were so secure that if the borrower defaulted the
6 customer would make even more money. Based solely on Rowan's recommendation, the customer
7 invested in the securities, and Nu West eventually paid all these investments in full.

8 14. Between May and October 1999 Rowan offered and sold the customer three additional Nu West
9 securities. The only disclosure Rowan provided on these investments was a one-page document providing
10 a summary of the investment. The customer relied on Rowan's recommendation that he invest in these
11 securities, and invested \$211,000 in these securities. Nu West stopped making the interest payments on
12 these securities in November 2000 and has failed to repay the principal.
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15 Based upon the foregoing Tentative Findings of Fact, the following Conclusions of Law are made:

16 CONCLUSIONS OF LAW

- 17 1. The offer and/or sale of Nu West notes by Respondent Rowan constitutes the offer and/or sale of
18 securities as defined in RCW 21.20.005(10) and (12).
19
- 20 2. Respondent Rowan has willfully violated RCW 21.21.140 by offering and/or selling unregistered
21 non-exempt securities in Washington.
- 22 3. Respondent Rowan has willfully violated RCW 21.20.010 by making untrue statements of material
23 fact and by omitting to state material facts necessary in order to make the statements made, in light of the
24 circumstances under which they were made, not misleading.
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1 4. Respondent Rowan has willfully violated RCW 21.20.702 by failing to make reasonable efforts to
2 obtain information from clients necessary to make suitable recommendations, and by recommending the
3 purchase and sale of securities to his customers without reasonable grounds to believe that such
4 transactions were suitable for those customers.

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6 **NOTICE OF INTENT TO REVOKE REGISTRATION**

7 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and Conclusions
8 of Law, the Securities Administrator intends to order that Respondent Rowan's securities salesperson
9 registration be permanently revoked.

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

12 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of
13 Law, the Securities Administrator intends to order that Respondent Rowan permanently cease and desist
14 from violations of RCW 21.20.140, RCW 21.20.010, and RCW 21.20.702.

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17 **NOTICE OF INTENT TO ORDER AFFIRMATIVE RELIEF**

18 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and Conclusions of
19 Law, the Securities Administrator intends to order that Respondent Rowan shall be liable for, and shall
20 pay, restitution to injured investors.

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NOTICE OF INTENT TO IMPOSE FINES

Pursuant to RCW 21.20.110(3) and RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities Administrator intends to order that Respondent Rowan shall be liable for and pay a fine in the amount of \$75,000.

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AUTHORITY AND PROCEDURE

This STATEMENT OF CHARGES AND NOTICE is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390 and is subject the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondent Dorsey E. Rowan, Jr. may make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If the Respondent does not request a hearing, the Securities Administrator intends to adopt the foregoing Tentative Findings of Fact and Conclusions of Law as final, and enter a permanent cease and desist order against Respondent imposing the license revocation, restitution, and fines described above.

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DATED this 27th day of July 2001.



DEBORAH R. BORTNER
Securities Administrator

Presented by:

Anthony W. Carter
Securities Examiner