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NO. 10-2-32403-8 SEA
SUPERIOR COURT
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STATE OF WASHINGTON
KING COUNTY SUPERIOR COURT

STATE OF WASHINGTON,
DEPARTMENT OF FINANCIAL
INSTITUTIONS,

Plaintiff,

v.

CHESTERFIELD MORTGAGE
INVESTORS, INC., CHARLES M.
CHESTERFIELD AND KEY BANK,

Defendants.

NO. 10-2-32403-8 SEA

STIPULATION AND ORDER
APPOINTING RECEIVER AND
PRELIMINARILY ENJOINING
DEFENDANTS

~~[PROPOSED]~~

I. STIPULATION

Plaintiff State of Washington, Department of Financial Institutions, Division of Securities (Department), by and through its attorneys of record, ROBERT M. MCKENNA, Attorney General, and KATE REYNOLDS, Assistant Attorney General, and Defendant Chesterfield Mortgage Investors, Inc. by and through its attorney of record Robert Amkraut of Riddell Williams P.S., Defendant KeyBank by and through its attorney of record Michael C. Oiffer, Defendant Rainier Capital Group by and through its attorney of record Matthew W. Daley of Witherspoon Kelley, and Defendant Charles M. Chesterfield hereby stipulate and agree to the entry of the following:

1 **1. Consent Order.** The Department and Defendants Chesterfield Mortgage
2 Investors, Inc. and Charles Chesterfield (Defendants Chesterfield) entered into Consent Order
3 S-10-293-10-CO01 to resolve the violations alleged in the Complaint for Temporary
4 Restraining Order, Preliminary Injunction, Permanent Injunction and Appointment of Receiver
5 filed by the Department on September 9, 2010. The Complaint alleges that the Defendants
6 Chesterfield violated the Securities Act of Washington, chapter 21.20 RCW, by making
7 fraudulent representations and omissions to investors in violation of RCW 21.20.010(2), by
8 engaging in an act, practice, or course of business which operates as a fraud or deceit in
9 violation of RCW 21.20.010(3), by engaging in dishonest and unethical business practices in
10 violation of RCW 21.20.110, and by failing to meet the recordkeeping and reporting
11 obligations of a registered mortgage paper securities broker-dealer under RCW 21.20.110. The
12 Complaint further alleges that Defendants Chesterfield have commingled investor funds with
13 the assets of CMI, in violation of WAC 460-33A-065 and has failed to keep records itemizing
14 separately all proceeds of sales involving real property securing a loan funded by sales of
15 mortgage paper, in violation of WAC 460-33A-115.

16 **2. Appointment of Receiver.** The Department and the Defendants agree to the
17 Appointment of the Receiver as follows:

18 a. Mel R. Codd is appointed as a general Receiver with respect to Chesterfield
19 Mortgage Investors, Inc. Mr. Codd shall be authorized to act as Receiver herein upon entry of
20 this order and upon filing of his statutory oath, provided that a bond is filed in the amount of
21 \$100,000, provided that the duties of the Receiver will be faithfully discharged in this action, and
22 provided that the Receiver will obey the orders of this Court. The Receiver shall have complete
23 possession and control over all property of Chesterfield Mortgage Investors, Inc., of any
24 nature, wherever located, whether real or personal, tangible or intangible, and whether or not
25 reflected on the books or accounts of Chesterfield Mortgage Investors, Inc. Defendants
26 Chesterfield shall deliver to the Receiver and/or make available to him, at the Receiver's

1 discretion, the originals or copies of the books, records, contracts, escrow files, bank statements,
2 and all other documents relating to the business of Chesterfield Mortgage Investors, Inc. in
3 Defendants' Chesterfield possession or control. Defendants shall cooperate with the Receiver in
4 the discharge of the Receiver's duties.

5 b. The Receiver shall have powers and duties as set forth in more detail in the
6 accompanying order.

7 **3. Preliminary Injunction.** The Department and the Defendants agree to the
8 entry of a Preliminary Injunction as follows:

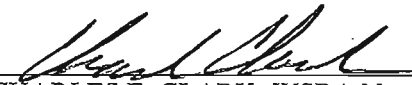
9 a. Except as expressly provided herein, Defendants Chesterfield Mortgage
10 Investors, Inc. and Charles M. Chesterfield are prohibited from withdrawing, transferring,
11 assigning, selling, pledging, hypothecating, changing, wasting, dissipating, converting,
12 concealing, encumbering, or otherwise disposing of any assets held by Chesterfield Mortgage
13 Investors, Inc., whether obtained from investors or borrowers, including but not limited to
14 investor funds or borrower payments received by him on behalf of Chesterfield Mortgage
15 Investors, Inc., until such time that the Receiver takes control of such assets of Chesterfield
16 Mortgage Investors, Inc. and properly disburses the same;

17 b. Except as expressly provided herein, Defendant Key Bank is prohibited from
18 permitting or in any way assisting with the withdrawal, transferring, changing, wasting,
19 dissipating, converting, concealing, encumbering, or otherwise disposing of any funds received
20 by, held in an account in the name of, or under the control of Chesterfield Mortgage Investors,
21 Inc. and/or Charles M. Chesterfield until such time that the Receiver takes control of such
22 assets and properly disburses the same;

23 c. Defendants Chesterfield Mortgage Investors, Inc. and Charles M. Chesterfield
24 are prohibited from destroying or disposing of any Chesterfield Mortgage Investors, Inc.
25 records in their possession or control, including, without limitation, any book, pamphlet, report,
26 memorandum, note, statement, minute, diary, transcript, working paper, telegram, letter, paper,

1 | chart, drawing, graph, photograph, publication, tape recording, videotaped or graphic matter,
2 | accounting material, records of purchase or sale, contracts, agreements, invoices, and any other
3 | existing source of stored information, whether written, printed, typed, recorded, stored in a
4 | computer, or filmed.
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11 | ROBERT M. MCKENNA
12 | Attorney General

13 | 
14 | _____
14 | CHARLES E. CLARK, WSBA No. 28918
15 | Assistant Attorney General
15 | Attorneys for Plaintiffs

17 | RIDDELL WILLIAMS P.S.

19 | _____
19 | ROBERT N. AMKRAUT, WSBA No. 27412
20 | Riddell Williams P.S.
21 | Attorneys for Chesterfield Mortgage
21 | Investors, Inc.

23 | _____
23 | MICHAEL C. OIFFER, WSBA No. 15015
24 | Attorney for Key Bank

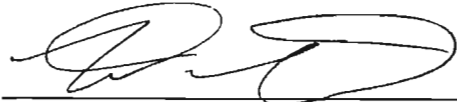
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15 | Assistant Attorney General
16 | Attorneys for Plaintiffs

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18 | 

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20 | Riddell Williams P.S.
21 | Attorneys for Chesterfield Mortgage
22 | Investors, Inc.

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25 | Attorney for Key Bank
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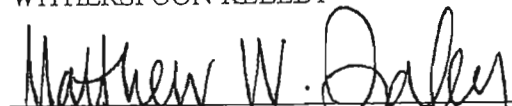
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21 | Attorneys for Chesterfield Mortgage
22 | Investors, Inc.

23 | MICHAEL C. OIFFER, WSBA No. 15015
24 | Attorney for Key Bank

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WITHERSPOON KELLEY


MATTHEW W. DALEY, WSBA No. 36711
Witherspoon Kelley
Attorneys for Rainier Capital Group

CHARLES M. CHESTERFIELD

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WITHERSPOON KELLEY

MATTHEW W. DALEY, WSBA No. 36711
Witherspoon Kelley
Attorneys for Rainier Capital Group

CHARLES M. CHESTERFIELD

1 II. ORDER

2 A. Appointment of Receiver

3 IT IS HEREBY ORDERED as follows:

4 1. Appointment

5 Mel R. Codd is appointed as a general Receiver with respect to Chesterfield Mortgage
6 Investors, Inc. Mr. Codd shall be authorized to act as Receiver herein upon entry of this order
7 and upon filing of his statutory oath, provided that a bond is filed in the amount of \$100,000,
8 provided that the duties of the Receiver will be faithfully discharged in this action, and provided
9 that the Receiver will obey the orders of this Court. The Receiver shall have complete
10 possession and control over all property of Chesterfield Mortgage Investors, Inc., of any
11 nature, wherever located, whether real or personal, tangible or intangible, and whether or not
12 reflected on the books or accounts of Chesterfield Mortgage Investors, Inc. Defendants
13 Chesterfield shall deliver to the Receiver and/or make available to him, at the Receiver's
14 discretion, the originals or copies of the books, records, contracts, escrow files, bank statements,
15 and all other documents relating to the business of Chesterfield Mortgage Investors, Inc. that are
16 in Defendants' Chesterfield possession or control. Defendants shall cooperate with the Receiver
17 in the discharge of the Receiver's duties.

18 2. Powers and Duties

19 a. The Receiver shall have all those powers and duties vested in him under the Act
20 Relating to Receiverships, as set forth in RCW 7.60 et. seq, unless the Court orders otherwise,
21 including but not limited to those set forth below. The Receiver will present a report to the Court,
22 as set forth below, and seek additional authority for how to proceed if necessary.

23 b. The Receiver shall prepare a plan for and effect the expeditious and orderly
24 processing and/or transfer of the pending transactions of Chesterfield Mortgage Investors, Inc.'s
25 Washington State clients as the Receiver reasonably believes necessary to protect the interests of
26 consumers subject to the final approval of the Court.

1 c. The Receiver shall prepare a plan for and effect such action as is possible or
2 necessary to assure that Chesterfield Mortgage Investors, Inc.'s escrow trust account maintains
3 an amount of money sufficient to comply with RCW 21.20, subject to the approval of the Director
4 and the final approval of the Court. The Receiver shall prepare an accounting or reconciliation of
5 Chesterfield Mortgage Investors, Inc.'s trust account(s) in connection with the Receiver's
6 discharge of his duties under this subparagraph.

7 d. The Receiver shall prepare a plan for and effect such other action as is reasonably
8 possible and necessary to assure that Chesterfield Mortgage Investors, Inc. complies fully with
9 chapter 21.20 RCW, the Securities Act, and the rules adopted thereunder, subject to the initial
10 approval of the Director and the final approval of the Court.

11 e. The Receiver is authorized to spend up to \$5,000 without further order of the
12 Court from funds of any source held by Chesterfield Mortgage Investors, Inc. to secure the
13 receivership assets, including but not limited to payment of locksmiths or security guards,
14 payments to secure electronic data, insurance or bond premiums, and such other payments as the
15 Receiver deems necessary in his business judgment, plus the actual costs of the Receiver's bond
16 premium. An accounting of the sources and uses of all such funds shall be included in the
17 Receiver's initial report. KeyBank is hereby authorized and directed to permit such
18 withdrawals from the accounts of Defendants Chesterfield as requested by the Receiver.

19 f. Except to the extent Defendants Chesterfield may claim a valid legal privilege,
20 Defendants Chesterfield shall fully cooperate with the Receiver in connection with his
21 management and operation of assets of Chesterfield Mortgage Investors, Inc. Defendants
22 Chesterfield shall not be required to make out of pocket expenditures to facilitate such
23 cooperation except for minor incidental expenses, including but not limited to, travel expenses
24 of less than 150 miles, postage, copying costs or other similar minor expenses and such
25 cooperation shall not interfere with Mr. Chesterfield's ability to earn a living. Each of them
26 shall relinquish and deliver possession to the Receiver upon his demand, and shall turn over to

1 him all escrow files, like property exchange files, records, books, contracts, lease documents,
2 plans and specifications, accounting records, deposits and documents in their possession or
3 control not otherwise secured relating to the financing, management, control, operation and
4 preservation of Chesterfield Mortgage Investors, Inc., as the Receiver may request or demand.

5 g. The Defendants Chesterfield, and all of the officers, directors, managers, agents
6 and employees of Chesterfield Mortgage Investors, Inc., and each of them, are enjoined from
7 interfering with the possession, control and operation of Chesterfield Mortgage Investors, Inc.,
8 by the Receiver.

9 h. The Receiver is authorized to take such further action as the Court shall deem
10 equitable, just and appropriate under the circumstances upon proper application by the Receiver.

11 i. The Receiver is authorized and directed to promptly take such action as is
12 necessary to facilitate the rescission of a transaction between Chesterfield Mortgage Investors,
13 Inc. and Rainier Capital Group in which Rainier Capital Group wired \$360,000.30 to
14 Chesterfield Mortgage Investors, Inc.'s account at KeyBank on September 13, 2010, after the
15 Temporary Restraining Order had issued on September 10, 2010. KeyBank is authorized to
16 release funds in the amount of \$360,000.30 as directed by the Receiver.

17 j. The Receiver is authorized and directed to make payroll payments to
18 Chesterfield Mortgage Investors, Inc. employees for the pay period ending September 30,
19 2010, and to make related tax and benefit payments, up to a maximum total amount of
20 \$19,000.

21 k. Upon entry of this Order, Chesterfield Mortgage Investors, Inc.'s attorneys,
22 Riddell Williams, P.S. shall provide the Receiver with a final invoice for services provided.
23 Within 15 days of entry of this Order, Riddell Williams is directed to return to the Receiver
24 any remaining balance held in Riddell Williams' trust account from funds previously provided
25 to Riddell Williams by Chesterfield Mortgage Investors, Inc. pursuant to this Court's
26

1 September 14, 2010 Order Modifying Temporary Restraining Order, after first paying all
2 amounts owed Riddell Williams from such trust funds.

3 **3. Compensation and payments.**

4 a. The Receiver's compensation shall be in the amount of \$150.00 per hour. The
5 Receiver shall also be entitled to receive reimbursement for his direct out-of-pocket expenses
6 incurred in connection with his services provided hereunder. The Receiver shall maintain detailed
7 time records of the services performed and of the time expended therein, and shall provide copies
8 of such records to the Court and the Director. The Receiver's total compensation and/or expenses
9 under the order shall not exceed a reasonable amount as determined by the Court, without first
10 obtaining the written consent of all parties to this action or the permission of the Court, at the
11 Receiver's option.

12 b. The Receiver shall have the right to use services of other professionals including,
13 but not limited to, professionals in the law firm of Routh Crabtree Olsen P.S., at hourly rates not
14 to exceed \$289.00 per hour for an attorney and \$90.00 per hour for a paralegal, depending on
15 experience.

16 c. Payment of compensation of the Receiver and of other authorized professionals,
17 whether on an interim or final basis, shall be made in accordance with RCW 7.60.180.

18 d. No obligation incurred by the Receiver in the good faith performance of his
19 duties in accordance with the orders of this Court whether pursuant to any contract, by reason
20 of any tort, or otherwise, shall be the Receiver's obligation. Rather, the recourse of any person
21 or entity to whom the Receiver becomes obligated in connection with the performance of his
22 duties and responsibilities shall be solely against the assets of the receivership estate.

23 **4. Duration of Appointment.**

24 Termination of the Receiver shall be in accordance with RCW 7.60.290, unless otherwise
25 ordered by the Court.

26 **5. Notices.**

1 Wherever this order authorizes or requires any party, including the Receiver, to obtain
2 Court approval of any action or intended action, notice shall be given to each party to this action,
3 in the manner provided in the Washington Court Rules, unless such time and notice requirements
4 are modified by further Court order.

5 **6. Reports.**

6 The Receiver shall prepare and submit to all interested parties and to the Court a progress
7 report no later than 14 days from the date of this Order of Appointment, and such other reports as
8 required under RCW 7.60.

9 **7. Mediation/Instructions/Termination.**

10 Upon Notice to the parties hereto, the Receiver shall have the right at any time to apply to
11 this Court for further or other instructions, or for a modification of this Order, or for further
12 powers necessary or appropriate to enable the Receiver to perform his duties properly, or for a
13 termination of his appointment.

14 **B. Preliminary Injunction**

15 IT IS HEREBY FURTHER ORDERED as follows:

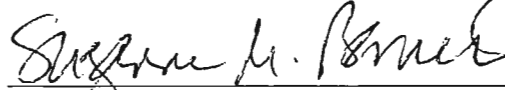
16 1. Defendants Chesterfield Mortgage Investors, Inc. and Charles M. Chesterfield
17 are prohibited from withdrawing, transferring, assigning, selling, pledging, hypothecating,
18 changing, wasting, dissipating, converting, concealing, encumbering, or otherwise disposing of
19 any assets held by Chesterfield Mortgage Investors, Inc., whether obtained from investors or
20 borrowers, including but not limited to investor funds or borrower payments received by him
21 on behalf of Chesterfield Mortgage Investors, Inc., until such time that the Receiver takes
22 control of such assets of Chesterfield Mortgage Investors, Inc. and properly disburses the same;

23 2. Defendant Key Bank is prohibited from permitting or in any way assisting with
24 the withdrawal, transferring, changing, wasting, dissipating, converting, concealing,
25 encumbering, or otherwise disposing of any funds received by, held in an account in the name
26

1 of, or under the control of Chesterfield Mortgage Investors, Inc. and/or Charles M. Chesterfield
2 until such time that the Receiver takes control of such assets and properly disburses the same;


3 3. Defendants Chesterfield Mortgage Investors, Inc. and Charles M. Chesterfield
4 are prohibited from destroying or disposing of any Chesterfield Mortgage Investors, Inc.
5 records in their possession or control, including, without limitation, any book, pamphlet, report,
6 memorandum, note, statement, minute, diary, transcript, working paper, telegram, letter, paper,
7 chart, drawing, graph, photograph, publication, tape recording, videotaped or graphic matter,
8 accounting material, records of purchase or sale, contracts, agreements, invoices, and any other
9 existing source of stored information, whether written, printed, typed, recorded, stored in a
10 computer, or filmed.

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18 DATED this 29th day of September, 2010.

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21 JUDGE

22 Presented by:

23 ROBERT M. MCKENNA
24 Attorney General

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26 CHARLES E. CLARK, WSBA No. 28918
Assistant Attorney General

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Attorneys for Plaintiffs

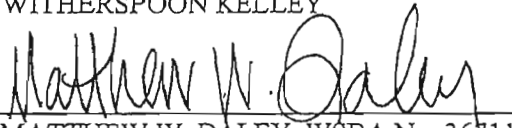
Approved as to Form and Content and Notice of Presentation Waived:

RIDDELL WILLIAMS P.S.

ROBERT N. AMKRAUT, WSBA No. 27412
Riddell Williams P.S.
Attorneys for Chesterfield Mortgage
Investors, Inc.

MICHAEL C. OIFFER, WSBA No. 15015
Attorney for Key Bank

WITHERSPOON KELLEY


MATTHEW W. DALEY, WSBA No. 36711
Witherspoon Kelley
Attorneys for Rainier Capital Group

CHARLES M. CHESTERFIELD

1 Attorneys for Plaintiffs

2
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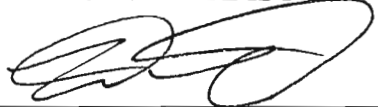
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1 Attorneys for Plaintiffs

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4 RIDDELL WILLIAMS P.S.

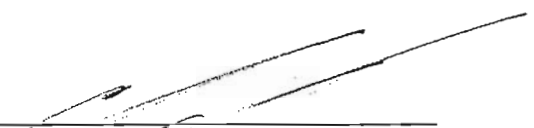
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19 CHARLES M. CHESTERFIELD

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