

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 17, 2013

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. SEC-2013-00020

DON BRAZELTON

and

BRAZELTON LOAN PARTNERS,

Defendants

JUDGMENT ORDER

On June 17, 2013, the State Corporation Commission ("Commission") issued a Rule to Show Cause ("Rule") against Don Brazelton ("Brazelton") and Brazelton Loan Partners ("Loan Partners") (collectively, "Defendants"). The Rule summarized allegations by the Division of Securities and Retail Franchising ("Division") against the Defendants. Specifically, the Division alleged that the Defendants sold unregistered partnership interests in violation of the provisions of §§ 13.1-507 and 13.1-504 of the Virginia Securities Act ("Act"), § 13.1-501 *et seq.* of the Code of Virginia ("Code"), and that Brazelton made material misrepresentations and omissions in the offer and sale of the partnership interests in violation of § 13.1-502 (2) of the Act.

The Rule, among other things, assigned the matter to a Hearing Examiner and scheduled an evidentiary hearing for October 2, 2013. Additionally, the Rule ordered the Defendants to file a responsive pleading on or before July 17, 2013, in which the Defendants were required to expressly admit or deny the allegations in the Rule and present any affirmative defenses that they intended to assert. The Rule also advised the Defendants that they may be found in default if they failed to either timely file a responsive pleading or if they failed to appear at the hearing.

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On July 19, 2013, the Division filed a Motion to Amend Rule to Show Cause. Because the Division had been unsuccessful in its attempts to serve the Defendants at their last known address, counsel for the Division sought to serve the Secretary of the Commonwealth with an Amended Rule to Show Cause ("Amended Rule"). Pursuant to a Hearing Examiner's Ruling and Certification to the Commission dated July 29, 2013, the Division's motion was certified to the Commission with a recommendation that the Commission issue the Amended Rule. The Commission issued an Amended Rule on August 1, 2013. In the Amended Rule, the Commission directed the Defendants to file responsive pleadings on or before September 6, 2013, and to appear at a hearing scheduled for October 2, 2013.

The Defendants failed to file any responsive pleadings or otherwise make an appearance in this case.

An evidentiary hearing on the Amended Rule was held on October 2, 2013. The Division was represented by its counsel, Donnie L. Kidd, Jr., Esquire. The Defendants failed to appear at the hearing following service of the Amended Rule and after receiving notice of the hearing. At the hearing, counsel for the Division moved for default judgment against the Defendants. In support of the motion for default judgment, the Division presented proof of service on the Defendants as well as an affidavit containing the testimony of William R. Ward, Senior Investigator in the Division's Enforcement Section, along with supporting attachments.

On November 8, 2013, the Hearing Examiner issued his report ("Report"), which thoroughly summarized the factual and procedural history of this case, as well as the evidence and arguments presented at the hearing. In his Report, among other things, the Hearing Examiner found that the Division established by clear and convincing evidence that Brazelton committed: (i) four violations of § 13.1-507 of the Act; (ii) four violations of § 13.1-504 A of

the Act; and (iii) four violations of § 13.1-502 (2) of the Act. Similarly, he found that the Division provided by clear and convincing evidence that Loan Partners committed four violations of § 13.1-504 B of the Act. In addition, the Hearing Examiner found that each Defendant should be fined the maximum penalty amount of \$10,000 for each violation pursuant to § 13.1-521 A of the Act.

Based on these findings, the Hearing Examiner recommended that Brazelton be fined \$120,000 and Loan Partners be fined \$40,000. Pursuant to § 13.1-521 C of the Act, however, the Hearing Examiner recommended that the Commission waive the monetary penalties if the Defendants pay restitution in the amount of \$20,000 to the investors within 30 days of the entry of the Commission's order in this proceeding. In addition, he found that, pursuant to § 13.1-518 A of the Act, Brazelton should be assessed \$6,504.75, and Loan Partners should be assessed \$2,168.25 to pay the actual costs of the Division's investigation.

Finally, the Hearing Examiner found that, pursuant to § 13.1-519 of the Act, each of the Defendants should be permanently enjoined from: (i) registering or transacting business as a broker-dealer, agent of a broker-dealer, agent of an issuer, investment advisor, or investment advisor representative and from selling securities within the Commonwealth of Virginia; and (ii) violating the Act in the future.

The Report allowed the parties 21 days to provide comments. Neither the Defendants nor the Division filed comments.

NOW THE COMMISSION, upon consideration of the Amended Rule, the record, the Hearing Examiner's Report, and the applicable statutes, is of the opinion and finds that the Hearing Examiner's findings and recommendations are reasonable and should be adopted.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to § 13.1-521 A of the Act, Brazelton shall be fined in the amount of \$120,000 and Loan Partners shall be fined in the amount of \$40,000 for their violations of the Act. Pursuant to § 13.1-521 C of the Act, however, the Commission shall waive the monetary penalties if the Defendants pay restitution in the amount of \$20,000 to the investors within thirty (30) days of the entry of this Judgment Order.

(2) Pursuant to § 13.1-519 of the Act, the Defendants are hereby PERMANENTLY ENJOINED from: (i) registering or transacting business as a broker-dealer, agent of a broker-dealer, agent of an issuer, investment advisor, or investment advisor representative and from selling securities within the Commonwealth of Virginia; and (ii) violating the Act in the future.

(3) Pursuant to § 13.1-518 A of the Act, Brazelton is assessed the amount of \$6,504.75, and Loan Partners is assessed the amount of \$2,168.25 to pay the actual costs of the Division's investigation.

(4) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission, by CERTIFIED MAIL, RETURN RECEIPT REQUESTED, to: Don Brazelton, 1701 Lake Shore Crest Drive, Apt. 35, Reston, Virginia 20190; Brazelton Loan Partners, 1701 Lake Shore Crest Drive, Apt. 35, Reston, Virginia 20190; and the Commission's Office of General Counsel and Division of Securities and Retail Franchising.