

1 STATE OF OREGON
2 DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
3 DIVISION OF FINANCE AND CORPORATE SECURITIES
4 ENFORCEMENT SECTION
5 BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND
6 BUSINESS SERVICES

7 In the Matter of:

8 Castle Partners, L.P.;

9 Castle Advisers, LLC;

10 Scott J. Baklenko;

11 Castle Strategies, LLC; and

12 BAK Ventures, Inc. (f/k/a Timberline

13 Financial Group, Inc.)

14 Respondents.

S-11-0058-A

15 Order to Cease and Desist;

16 Order Denying Use of Exemptions

17 to the Securities Registration

18 Requirements;

19 Order Withdrawing Exclusion from

20 Definition of "Investment Adviser;"

21 Order Withdrawing Exclusion from

22 Definition of "Broker-Dealer;"

23 Order Withdrawing Exclusion from

24 Definition of "Investment Adviser

25 Representative;"

26 Order Withdrawing Exclusion from

27 Definition of "Salesperson;"

28 Order Assessing Civil Penalties;

29 and

30 Consent to Entry of Order

31 AS TO RESPONDENTS SCOTT J.

32 BAKLENKO AND BAK VENTURES,

33 INC. ONLY.

34 WHEREAS the Director of the Department of Consumer and Business

35 Services (hereinafter, the "Director") through the Division of Finance and

36 Corporate Securities (the "Division") investigated the business activities of Scott

37 J. Baklenko and BAK Ventures, Inc. (collectively, the "Respondents"), Castle

38 Strategies, LLC, Castle Partners, L.P., and Castle Advisers, LLC, for possible

39 violations of ORS 59.005 to 59.451, 59.991 and 59.995 (the "Oregon Securities

40 Law");

41 WHEREAS on November 9, 2011, the Director filed an ORDER TO

42 CEASE AND DESIST; ORDER DENYING USE OF EXEMPTIONS TO THE

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1 SECURITIES REGISTRATION REQUIREMENTS; ORDER WITHDRAWING
2 EXCLUSION FROM DEFINITION OF "INVESTMENT ADVISER;" ORDER
3 WITHDRAWING EXCLUSION FROM DEFINITION OF "BROKER-DEALER;"
4 ORDER WITHDRAWING EXCLUSION FROM DEFINITION OF
5 "INVESTMENT ADVISER REPRESENTATIVE;" ORDER WITHDRAWING
6 EXCLUSION FROM DEFINITION OF "SALESPERSON;" AND ORDER
7 ASSESSING CIVIL PENALTIES, AND NOTICE OF RIGHT TO A HEARING
8 against the Respondents (the "Notice Order") having determined that the
9 Respondents engaged in activities constituting violations of the Oregon
10 Securities Law;

11 **WHEREAS** the Respondents neither admit nor deny the Findings of Fact
12 and Conclusions of Law contained herein but wish to resolve and settle this
13 matter with the Director by consenting to the entry of this Order, which is
14 evidenced by the Respondents' authorized signatures in those Consents; and

15 **WHEREAS** the Director, in consideration for the Respondents'
16 agreement to enter into this Order, hereby withdraws the Notice Order against
17 the Respondents.

18 **NOW THEREFORE**, the Director enters the following Findings of Fact,
19 Conclusions of Law, and Orders:

20 **I. FINDINGS OF FACT**

21 The Director **FINDS** that:

22 **A. THE RESPONDENTS**

23 1. Scott J. Baklenko ("Baklenko") is a Washington State resident
24 with a last known address of 3854 29th Avenue W; Seattle, WA 98199. At all
25 times material herein, Scott Baklenko was a Member and Manager of Castle
26



1 Advisers, LLC. He was also the sole shareholder, President, and Secretary of
2 Timberline Financial Group, Inc. and BAK Ventures, Inc., as well as a Member
3 and Manager of Castle Strategies, LLC.

4 2. At all times material herein, Scott Baklenko held FINRA
5 Series 6, 7, 63, and 65 licenses¹ (CRD # 4632949). The Division, Washington, and
6 Alaska licensed Scott Baklenko as a state investment adviser representative for
7 Timberline Financial Group, Inc. from August 2004 to November 2009. The
8 Division and Washington State licensed Scott Baklenko as a state investment
9 adviser representative for Castle Strategies, LLC from May 2009 to the date of
10 this Order. In addition, the Division licensed Scott Baklenko as a broker-dealer
11 salesperson from November 2007 to January 2009. During that time, he was
12 affiliated with LPL Financial Corporation.

13 3. At all times material herein, Baklenko maintained an
14 Accredited Investment Fiduciary designation (“AIF”)² in his fiduciary assets
15 management role as a principal at Timberline Financial Group, Inc.

16 4. At all times material herein, Timberline Financial Group, Inc.
17 (“Timberline Financial”) was an Oregon corporation formed on or about August
18 17, 2004 (Business Registry #236684-94) with a principal place of business at 510
19 Cascade Street; Hood River, OR 97031. The Division licensed Timberline
20 Financial as a state investment advisor on April 23, 2009 (CRD #148906). That
21 license was withdrawn on November 10, 2009. Scott Baklenko was Timberline
22 Financial’s sole shareholder, President, and Secretary.

23 _____
24 ¹ See Section I.G of this Order for a further discussion of Baklenko’s current licensing status.

25 ² The AIF designation is a designation granted by Center for Fiduciary Studies, LLC and purportedly
26 represents a thorough knowledge of and ability to apply the fiduciary Practices. Each designee must
receive formal training in investment fiduciary responsibility, accrue continuing education training,
and attest to a code of ethics.



1 5. On February 22, 2010, Timberline Financial changed its name
2 to BAK Ventures, Inc. (“BAK Ventures”). BAK Ventures’ last known address is
3 2320 W Viewmont Way; Seattle, WA 98199. BAK Ventures currently has no
4 operations.

5 **B. OTHER PARTIES**

6 6. Castle Partners, L.P. (“Castle Partners” or the “Fund”) is a
7 Delaware corporation formed on or about October 27, 2009 with a principal
8 place of business of 202 Oak Avenue, Suite, 550; Hood River, Oregon 97031.
9 Castle Partners is a pooled investment vehicle that invests in real estate and
10 other investments.

11 7. Castle Advisers, LLC (“Castle Advisers”) is an Oregon
12 manager-managed limited liability company formed on or about October 8,
13 2008 (Business Registry # 552182-92) with a principal place of business of 202
14 Oak Avenue, Suite, 550; Hood River, Oregon 97031. At all times material herein,
15 Scott Baklenko was a Member of Castle Advisers. Also at all times material
16 herein, Baklenko and Gregory Boudreau were the only Managers of Castle
17 Advisers. Scott Baklenko served as a Manager of Castle Advisers from October
18 8, 2008 to May 11, 2010. Gregory Boudreau served as a Manager from October 8,
19 2008 to October 16, 2009.

20 8. Castle Advisers is the Fund’s General Partner. According to
21 the terms of the limited partnership agreement entered into by Castle Advisers
22 and the Fund’s limited partners, Castle Advisers has exclusive management and
23 control of the Fund’s business and has the authority to make all decisions
24 affecting the Fund and its assets. The Fund is Castle Advisers’ only client.

25 9. Castle Strategies, LLC (“Castle Strategies”) is an Oregon
26



1 limited liability company formed on or about May 5, 2009 (Business Registry #
2 603860-92) with a principal place of business of 3854 29th Avenue W; Seattle, WA
3 98199. At all times material herein, Scott Baklenko was a Member and Manager
4 of Castle Strategies. The Division licensed Castle Strategies as an investment
5 adviser in Oregon on November 4, 2009 (CRD #151502).³

6 10. On September 1, 2009, Timberline Financial transferred its
7 investment advisory business – which comprised 80% of the company – to
8 Castle Strategies, LLC.

9 **C. OFFER OR SALE OF LIMITED PARTNERSHIP INTERESTS IN**
10 **CASTLE PARTNERS**

11 11. On January 9, 2009, the Fund filed notice on SEC Form D
12 with the Division pursuant to ORS 59.049(3). The Form D stated that the Fund
13 sold or intended to sell \$750,000 of limited partnership interests in Oregon in
14 reliance on Rule 506 of the Securities Act of 1933 (the “Interests”). The Fund
15 also filed a Form D with the Securities and Exchange Commission on January
16 13, 2009. The Fund amended that Form D on September 23, 2009 and again on
17 November 10, 2010.⁴ The November 10 amendment was not filed in Oregon.

18 12. On or between December 19, 2008 and August 21, 2009, the
19 Fund sold \$3,633,198.74 worth of Interests to 23 investors, including
20 \$1,920,130.36 worth of Interests to 11 Oregon investors. At least \$345,096 worth
21 of interests were sold to at least three (3) Oregon investors that were not
22 accredited investors. As one of two Managers of Castle Advisers during that
23 time, Scott Baklenko was involved in the offer or sale of the Interests to many of

24 ³ See Section I.H of this Order for a further discussion of Castle Strategies’ current licensing status.

25 ⁴ The amendments, among other things, increased the aggregate offering amount and the total amount
26 of Interests sold. The November 10 amendment also disclosed that the Fund had sold interest to 9
unaccredited investors.



1 those investors.

2 13. On or about June 8, 2009, the Fund sold \$100,000 in Interests
3 to a trust located in Washington (the "Trust"). On June 30, 2010, the Fund
4 redeemed those Interests for \$110,130.41, having determined that the Trust was
5 not an accredited investor. As of the date of this Order, the Fund has not
6 redeemed the Interests of any of other unaccredited investor.

7 **D. THE FUND'S PRIVATE PLACEMENT MEMORANDUM**

8 14. In connection with the offer or sale of the Interests, the Fund
9 and Castle Advisers provided each investor with a private placement
10 memorandum ("PPM"). The PPM was first prepared on December 10, 2008 and
11 amended on February 9, 2009.⁵ As one of two Managers for the Castle Advisers
12 during that time, Scott Baklenko was involved in the preparation of the PPMs.

13 15. The PPM, among other things, described the Fund as "a
14 hybrid private equity investment vehicle focused on finding value in dislocated
15 markets" and claimed that the Fund's ability and flexibility to seek value in a
16 wide variety of markets by investing in a wide variety of securities was the key
17 to its success.

18 **E. STATUS OF CASTLE ADVISERS AS AN INVESTMENT ADVISER**
19 **IN OREGON**

20 16. Castle Advisers is not, nor has it ever been, licensed as an
21 investment adviser in Oregon. Given that Castle Advisers is exclusively
22 responsible for management of the Fund, the Fund, therefore, could not and
23 cannot invest in securities – and Scott Baklenko could not act as its investment
24

25 ⁵ The amendment corrected two typographical errors made in the PPM and made no substantive
26 changes.



1 adviser representative – unless Castle Advisers is 1) licensed as an investment
2 adviser in Oregon, or 2) exempt from the licensing requirements.

3 17. On March 20, 2009, Fund, through its counsel, asserted that
4 Castle Advisers was excluded from the definition of state investment adviser
5 pursuant to OAR 441-175-0030(1) because 1) the Fund conducted no general
6 advertising or solicitation in Oregon, and 2) the Fund’s only clients were
7 accredited investors.

8 18. That assertion and reliance on OAR 441-175-0030(1) had no
9 legal basis because the Fund had sold Interests to at least two (2) unaccredited
10 investors⁶ at the time that assertion was made. It also subsequently sold
11 Interests to at least seven (7) unaccredited investors. In addition, Castle
12 Advisers advised the Fund with respect to the purchase of at least one security.⁷

13 **F. UNTRUE OR MISLEADING STATEMENTS MADE IN**
14 **CONNECTION WITH THE PURCHASE OR SALE OF THE INTERESTS**

15 19. In connection with the purchase or sale of the Interests, Scott
16 Baklenko made the following statements orally and/or in writing that were
17 either untrue or misleading:

- 18 • “[The Fund’s] operations are similar to an investment company as
19 defined under the Investment Company Act of 1940, as amended . . . , because
20 the [Fund] engages in the business of purchasing securities for investment.”
21 • “The [Fund] is unencumbered by market sector and it seeks value in
22 a variety of markets and asset classes.”
23 • “The [Fund] will seek to invest in public and private companies, debt
24

25 ⁶ Both of those investors were Oregon residents.

26 ⁷ See Section I.G below.



1 securities, hard assets, real estate, and other types of investments that the
2 General Partner believes will deliver dislocated value within its asset class.”
3 • “. . . [Castle Advisers] has broad and flexible investment authority.
4 Accordingly, the [Fund’s] assets may at any time include long or short positions
5 in any publicly traded or provably issued preferred stock, common stock,
6 option, warrant, bond, loan or debt participation, partnership interest, interest
7 in investment companies, interests in real estate, and/or convertible security,
8 swap and other derivative instrument, among others.”

9 20. Each of those statements was misleading because they
10 omitted to state that:

- 11 • Castle Advisers was not licensed as an investment adviser in
12 Oregon;
- 13 • Castle Advisers cannot advise with respect to, and the Fund will not
14 be able to invest in, “securities” if it is required to become licensed as an
15 investment adviser in Oregon; and
- 16 • The exclusion from the definition of investment adviser that Castle
17 Advisers intended to rely on was not available to it because the Fund was
18 comprised of at least one unaccredited investor.

19 21. In addition, when discussing the Fund’s investment strategy,
20 the PPM and Scott Baklenko did not:

- 21 • Provide investors with a definition of “security” or disclose how
22 Fund’s overall investment strategy would be severely limited if it was not able
23 to invest in securities;
- 24 • Disclose to investors that the Fund and Castle Advisers may
25 interpret the definition of “security” differently than the Division and that the
26



1 Fund does not intend to request an opinion or interpretation from the Division
2 on that issue; and

3 • Disclose to investors that even if Castle Advisers seeks to become
4 licensed as an investment adviser, the Division may deny or condition Castle
5 Advisers' application to become licensed as a state investment adviser in a way
6 that could impact the Fund's investment strategy.

7 **G. THE FUND'S INVESTMENT IN A PROMISSORY NOTE**

8 22. On February 11, 2009, the Fund lent \$160,000 to Timberline
9 Financial Group in exchange for a 4-year \$160,000 interest only promissory note
10 (the "Promissory Note") and a first security interest in all of Timberline
11 Financial's "receivables, including management fees and residual income" (the
12 "Security Agreement"). The Promissory Note bears an interest rate of 10% per
13 year, and interest only payments are due on February 12, 2010, 2011, and 2012.
14 The Promissory Note is due and payable on or before February 12, 2013.⁸ Scott
15 Baklenko did not personally guarantee payment of principal or interest on the
16 loan. Because Timberline Financial changed its name to BAK Ventures on
17 February 22, 2010, BAK Ventures is considered the maker of the Promissory
18 Note and the Fund holds a first security interest in the receivables of BAK
19 Ventures only.

20 23. The Fund held the Promissory Note in a special situations
21 account (the "Side Pocket Investment") purportedly because the Promissory
22 Note was illiquid and lacked a readily assessable market value. Pursuant to the
23 terms of the Fund's limited partnership agreement, participation in the Side
24

25 ⁸ Timberline paid \$90,000 on the Promissory Note on June 25, 2009 (\$84,213.71 was applied to principal
26 and \$5,7826.29 was applied to interest.) Timberline Financial paid accrued interest on February 2011.



1 Pocket Investment was limited only to the limited partners that were invested in
2 the Fund at the time the Side Pocket Investment.⁹ Five limited partners
3 participated in the Side Pocket Investment.

4 24. As co-Managers of Castle Advisers, Scott Baklenko and Greg
5 Boudreau approved the loan and wire transfer. Scott Baklenko executed the
6 Promissory Note and Security Agreement on behalf of Timberline Financial
7 Group in his capacity as President of Timberline Financial Group. Greg
8 Boudreau filed a UCC financing statement for the collateral on behalf of the
9 Fund.

10 25. Although the Security Agreement and the UCC financing
11 statement were designed to make it appear as if the Promissory Note was
12 secured by collateral, that was not the case. According to the Form ADV filed
13 with the SEC for Timberline Financial, Timberline Financial billed all of its fees
14 in advance. As such, it does not have any accounts receivable. Even if
15 Timberline Financial did have assets that could serve as collateral, that collateral
16 was no longer available after September 1, 2009 when Scott Baklenko through
17 Timberline Financial transferred its investment advisory business – 80% of the
18 company – to Castle Strategies (4 months after Castle Strategies was formed)¹⁰
19 and did not assign the Promissory Note or Security Agreement to Castle
20 Strategies.

21 26. On February 11, 2009, Scott Baklenko through Timberline
22 Financial transferred the loan proceeds to Scott Baklenko's former employer in
23 satisfaction of an independent personal debt owed by Scott Baklenko to a

24 _____
25 ⁹ According to information provide by the Fund, 5 limited partners – including 4 Oregon residents, 3 of
26 whom were unaccredited – participated in the Side Pocket Investment.

¹⁰ Scott Baklenko and one other person formed Castle Strategies on May 5, 2009.



1 former employer.¹¹ As the sole shareholder of Timberline Financial, Scott
2 Baklenko approved that transfer.

3 27. On February 12, 2009, the Baklenko's former employer
4 confirmed in writing that Scott Baklenko's personal debt had been satisfied.

5 28. By using Timberline Financial's corporate funds to pay a
6 personal obligation, Scott Baklenko was merely using Timberline Financial as
7 his "alter-ego." Accordingly, although the transaction was in form a loan from
8 the Fund to a related corporate entity, it was in substance a personal loan from
9 the Fund to Scott Baklenko.

10 29. Scott Baklenko was not acting primarily for the benefit of the
11 Fund when he advised the Fund to make, in substance, a low-interest,
12 unsecured loan to Timberline Financial Group that primarily benefitted him
13 personally.

14 30. The Fund did not disclose the investment in the Promissory
15 Note to existing or subsequent investors until it released its 2009 Audited
16 Financial Statements on May 14, 2010. The notes to those financial statements,
17 which were prepared by the Fund's auditors, described the Promissory Note
18 only as a note receivable paid to a related party. That note also provided interest
19 and maturity date information. Further, the Fund described the Promissory
20 Note as a "Portfolio" in an unaudited Balance Sheet as of June 30, 2010.

21 31. The PPM did not disclose to investors that the Fund made or
22 could make personal loans to members of the general partner – or entities that

23 ¹¹ On November 13, 2007 Scott Baklenko affiliated with LPL Financial Corporation as a broker-dealer
24 salesperson. Upon signing, LPL gave Baklenko a \$160,000 signing bonus in the form of a loan that
25 would be forgiven over several years (the "Signing Bonus"). If Baklenko left LPL before the Signing
26 Bonus was forgiven he was required to repay the Signing Bonus in full. On January 28, 2009, Baklenko
resigned from LPL so that he could work for Castle Advisers and he was required to repay the full
amount of the Signing Bonus.



1 were the mere alter-ego of that member – to satisfy a personal obligation of that
2 member on terms that were more favorable to the member than to the Fund.¹²

3 H. CURRENT STATUS OF THE RESPONDENTS

4 32. On July 29, 2011, Scott Baklenko and his wife declared
5 Chapter 7 Bankruptcy in the United States Bankruptcy Court, Western District
6 of Washington (Case 11-19061-TWD). According to that filing, Baklenko and his
7 wife have combined \$96486 in personal property,^{13,14} \$562,627 in liabilities,
8 \$5,377 in current monthly income,¹⁵ and \$8,601 in current monthly expenditures.
9 That bankruptcy was discharged on November 2, 2011.

10 33. On July 29, 2011, Baklenko also entered into an Acceptance,
11 Waiver & Consent (“AWC”) with FINRA relating to his violation of FINRA and
12 NASD rules while employed with LPL Financial Corporation (Disciplinary
13 Number 2009019500401). Pursuant to the terms of the AWC, FINRA suspended
14 Baklenko from associating with any FINRA member in any capacity for 20
15 months starting on August 15, 2011 and ending on April 14, 2013. The AWC
16 also assessed a civil penalty of \$20,000, which is due and payable immediately
17 upon Baklenko’s re-association with any FINRA member firm.

18 34. On August 15, 2011, Castle Strategies sought to terminate its
19

20 ¹² Page 44 of the PPM does state: “The General Partner may recommend investment opportunities to
21 the Partnership including joint ventures or other arrangements involving businesses in which the
22 General Partner or any company related or associated with the General Partner (or funds organized or
managed by them) have or may have an interest in, or any business relationship with (including any
customer relationship).”

23 That disclosure, however, does not fully alert the potential investor to the possibility that 1) the
24 Fund may invest in entities that are controlled by a manager of the general partner, and 2) that the
entity might use the funds improperly. The disclosure also does not fully alert the potential investor to
the risk that such loans may not be properly vetted by Castle Advisers.

¹³ Including \$15,000 worth of his interest in Castle Advisers.

¹⁴ Baklenko and his spouse claimed that approximately \$45,750 of those assets are exempt from
liquidation.

¹⁵ Including \$2,280 that Baklenko receives as unemployment benefits.



1 state investment licenses in Oregon and Washington. Also on August 15, 2011,
2 Scott Baklenko sought to terminate his investment adviser representative
3 licenses in Oregon and Washington. The Division has not processed any of
4 those requests as of the date of this Order.

5 II. CONCLUSIONS OF LAW

6 THE DIRECTOR CONCLUDES THAT:

7 A. DEFINITIONS UNDER ORS 59.015

8 35. The Promissory Note is a “security” under ORS 59.015(19)(a).

9 36. Castle Advisers acted as a “state investment adviser” under
10 ORS 59.015(20)(a) because it advised the Fund as to the advisability of investing
11 in, purchasing, or selling at least one security: the Promissory Note.

12 37. Scott Baklenko acted as an “investment adviser
13 representative” for Castle Advisers under ORS 59.015(8)(a) because he was a
14 Member and Manger of Castle Advisers.

15 B. VIOLATIONS OF ORS 59.135(2)

16 38. Scott Baklenko violated ORS 59.135(2) when he directly or
17 indirectly in connection with the purchase or sale of securities made untrue
18 statements of material fact or omitted to state material facts necessary in order
19 to make the statements made, in the light of the circumstances under which they
20 are made, not misleading.

21 39. In particular, Baklenko made the following statements in the
22 PPM that were either untrue or misleading:

- 23 • “[The Fund’s] operations are similar to an investment company as
24 defined under the Investment Company Act of 1940, as amended . . . , because
25 the [Fund] engages in the business of purchasing securities for investment.”
26



- 1 • “The [Fund] is unencumbered by sector market and it seeks value in
2 a variety of markets and asset classes.”
- 3 • “The [Fund] will seek to invest in public and private companies, debt
4 securities, hard assets, real estate, and other types of investments that the
5 General Partner believes will deliver dislocated value within its asset class.”
- 6 • “. . . [Castle Advisers] has broad and flexible investment authority.
7 Accordingly, the [Fund’s] assets may at any time include long or short positions
8 in any publicly traded or provably issued preferred stock, common stock,
9 option, warrant, bond, loan or debt participation, partnership interest, interest
10 in investment companies, interests in real estate, and/or convertible security,
11 swap and other derivative instrument, among others.”

12 40. Each of those statements was misleading because they
13 omitted to state that:

- 14 • Castle Advisers was not licensed as an investment adviser in
15 Oregon;
- 16 • Castle Advisers cannot advise with respect to, and the Fund will not
17 be able to invest in, “securities” if it is required to become licensed as an
18 investment adviser in Oregon; and
- 19 • The exclusion from the definition of investment adviser that Castle
20 Advisers intended to rely on was not available to it because the Fund was
21 comprised of at least one unaccredited investor.

22 41. In addition, when discussing the Fund’s investment strategy,
23 the PPM and Scott Baklenko did not:

- 24 • Provide investors with a definition of “security” or disclose how
25 Fund’s overall investment strategy would be severely limited if it was not able
26



1 to invest in securities;
2 • Disclose to investors that the Fund and Castle Advisers may
3 interpret the definition of “security” differently than the Division and that the
4 Fund does not intend to request an opinion or interpretation from the Division
5 on that issue; and

6 • Disclose to investors that even if Castle Advisers seeks to become
7 licensed as an investment adviser, the Division may deny or condition Castle
8 Advisers’ application to become licensed as a state investment adviser in a way
9 that could impact the Fund’s investment strategy.

10 42. The PPM and Baklenko also did not disclose to investors that
11 the Fund could or did make personal loans to members of the Castle Advisers –
12 or entities that were the mere alter-ego of that member – to satisfy a personal
13 obligation of that member on terms that were more favorable to the member
14 than to the Fund.

15 43. As one who held FINRA series 6, 7, 63, and 65 licenses, was
16 the sole shareholder of a state investment adviser, and was a licensed state
17 investment adviser representative for the same, Scott Baklenko knew, should
18 have known, or was reckless in not knowing, that he could not directly or
19 indirectly in connection with the purchase or sale of securities make untrue
20 statements of material fact or omitted to state material facts necessary in order
21 to make the statements made, in the light of the circumstances under which they
22 are made, not misleading.

23 C. VIOLATIONS OF ORS 59.135(3)

24 44. The Respondents violated ORS 59.135(3) when they directly
25 or indirectly in connection with the purchase or sale of securities engaged in
26



1 acts, practices, or courses of business that operated as a fraud or deceit upon any
2 person.

3 45. In particular, Scott Baklenko violated his fiduciary duty to the
4 Fund by directly or indirectly using investor funds to obtain an unsecured, low-
5 interest loan that he was not personally responsible for on terms that were more
6 favorable to him personally than it was to the Fund.

7 46. In addition, Scott Baklenko and BAK Ventures hid that self-
8 dealing from existing and subsequent investors by advising the Fund to lend the
9 money to BAK Ventures, a company that was controlled by Scott Baklenko and
10 was merely his "alter-ego."

11 47. As one who held FINRA series 6, 7, 63, and 65 licenses, was
12 the sole shareholder of a state investment adviser, was a licensed state
13 investment adviser representative for the same, and held an AIF designation,
14 Scott Baklenko knew, should have known, or was reckless in not knowing, the
15 fiduciary duties he owed to the Fund.

16 **D. VIOLATIONS OF ORS 59.165(4)(C)**

17 48. Scott Baklenko violated ORS 59.165(4)(c) when he transacted
18 business as an investment adviser representative for Castle Advisers in Oregon
19 without first being licensed to do so.

20 49. In particular, Scott Baklenko advised the Fund regarding the
21 purchase or sale of at least one security.

22 50. As one who held FINRA series 6, 7, 63, and 65 licenses, was
23 the sole shareholder of a state investment adviser, and was licensed state
24 investment adviser representative for the same, Scott Baklenko knew, should
25 have known, or was reckless in not knowing, that he could not transact business
26



1 as an investment adviser representative in Oregon without first being licensed
2 to do so.

3 III. ORDERS

4 **NOW, THEREFORE, THE DIRECTOR ISSUES THE FOLLOWING ORDERS:**

5 **A. ORDER TO CEASE AND DESIST**

6 51. The Director, pursuant to the authority under ORS 59.245(4),
7 hereby **ORDERS** the Respondents and any affiliated and/or successor business
8 or corporation to **CEASE AND DESIST** from violating any provision of the
9 Oregon Securities Law and Administrative Rules promulgated thereunder.

10 **B. ORDER DENYING USE OF EXEMPTIONS TO THE SECURITIES** 11 **REGISTRATION REQUIREMENTS**

12 52. The Director, pursuant to the authority under ORS 59.045,
13 hereby **DENIES** the Respondents and any affiliated and/or successor business or
14 corporation the ability to rely on the exemptions from the securities registration
15 requirements allowed by ORS 59.025 and ORS 59.035.

16 **C. ORDER WITHDRAWING EXCLUSION FROM DEFINITION OF** 17 **“INVESTMENT ADVISER”**

18 53. The Director, pursuant to the authority under ORS 59.015(6)
19 and OAR 441-175-0030(8) promulgated thereunder, hereby **WITHDRAWS** from
20 the Respondents and any affiliated and/or successor business or corporation
21 their ability to rely on the exclusions from the definition of “investment adviser”
22 found under OAR 441-175-0030.

23 **D. ORDER WITHDRAWING EXCLUSION FROM DEFINITION OF** 24 **“BROKER-DEALER”**

25 54. The Director, pursuant to the authority under ORS 59.015(1)
26



1 and OAR 441-175-0020(5) promulgated thereunder, hereby **WITHDRAWS** from
2 the Respondents and any affiliated and/or successor business or corporation
3 their ability to rely on the exclusions from the definition of “broker-dealer”
4 found under OAR 441-175-0020.

5 **E. ORDER WITHDRAWING EXCLUSION FROM DEFINITION OF**
6 **“INVESTMENT ADVISER REPRESENTATIVE”**

7 The Director, pursuant to the authority under ORS 59.015(6) and OAR 441-175-
8 0041(3) promulgated thereunder, hereby **WITHDRAWS** from the Respondents
9 and any affiliated and/or successor business or corporation their ability to rely
10 on the exclusions from the definition of “investment adviser representative”
11 found under OAR 441-175-0041.

12 **F. ORDER WITHDRAWING EXCLUSION FROM DEFINITION OF**
13 **“SALESPERSON”**

14 55. The Director, pursuant to the authority under ORS 59.015(18)
15 and OAR 441-175-0040(8) promulgated thereunder, hereby **WITHDRAWS** from
16 the Respondents and any affiliated and/or successor business or corporation
17 their ability to rely on the exclusions from the definition of “salesperson” found
18 under OAR 441-175-0040.

19 **G. ORDER ASSESSING CIVIL PENALTIES**

20 56. The Director, pursuant to the authority under ORS 59.995,
21 hereby **ASSESSES** the following **CIVIL PENALTIES**:

22 57. Scott Baklenko shall pay EIGHTY THOUSAND DOLLARS
23 (\$80,000) for eight violations of ORS 59.135(2).

24 58. Scott Baklenko shall pay TEN THOUSAND DOLLARS
25 (\$10,000) one violation of ORS 59.165(4)(c).

26



1 59. The Respondents shall jointly and severally pay TWENTY
2 THOUSAND DOLLARS (\$20,000) for two violations of ORS 59.135(3).

3 60. The Civil Penalties shall be due and payable: 1) immediately
4 upon Baklenko’s reassociation either as a salesperson or an investment adviser
5 representative with any firm that is licensed, exempt from the filing or licensing
6 requirements, or notice filed, by FINRA, the SEC, the State of Oregon, the State
7 of Washington, or any other state securities regulator; or 2) February 12, 2013,
8 whichever comes first.

9 61. The Director agrees to reduce the amount of the Civil
10 Penalties owed by the Respondents by one dollar for each dollar the
11 Respondents pay to the Fund – whether as interest or principal – on the
12 Promissory Note provided that the Respondents have provided written proof of
13 such payment in a form that is satisfactory to the Director.

14 **IV. AUTHORITY OF THE DIRECTOR TO ISSUE ADDITIONAL ORDERS AND**
15 **TO SEEK FURTHER REMEDIES UNDER OREGON LAW.**

16 62. The entry of this Order in no way limits further remedies that
17 may be available to the Director under Oregon law.

18
19
20
21 [THE REST OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK]
22
23
24
25
26



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

63. The Director reserves the right to take further action to enforce this order or to take appropriate action upon discovery of new violations of the Oregon Securities Law that arise from facts and circumstances that are outside the scope of this Order.

IT IS SO ORDERED.

Dated this 12th day of December, 2011 at Salem, Oregon.

SCOTT L. HARRA, Acting Director
Department of Consumer and Business Services

/s/ David Tatman
David Tatman, Administrator
Division of Finance and Corporate Securities

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CONSENT TO ENTRY OF ORDER

For Scott J. Baklenko

I, Scott J. Baklenko, state that I have read the foregoing Order and that I know and fully understand the contents hereof; that I have been advised of the right to a hearing and of the right to be represented by counsel in this matter; that I voluntarily and without any force or duress, consent to the entry of this Order, without admitting or denying the factual allegations and conclusions of law stated herein, expressly waiving any right to a hearing in this matter; that I understand that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon Securities Law; and that I will fully comply with the terms and conditions stated herein.

I further assure the Director that I will not effect securities transactions in Oregon unless such activities are in full compliance with the Oregon Securities Law and Oregon Administrative Rules thereunder.

I understand that this Consent Order is a public document.

By /s/ Scott J Baklenko
Scott J. Baklenko

State of Washington

County of King

Subscribed and sworn to before me Dec. 5, 2011

/s/ Dave J. Williams
Notary Public

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CORPORATE CONSENT TO ENTRY OF ORDER
(for BAK Ventures, Inc. (f/k/a Timberline Financial Group, Inc.))

I, Scott Baklenko, state that I am an officer of BAK Ventures, Inc. (f/k/a Timberline Financial Group, Inc. ("BAK Ventures")); that I am authorized to act on its behalf; that I have read the foregoing Order and that I know and fully understand the contents hereof; that BAK Ventures has been advised of the right to a hearing; that BAK Ventures voluntarily and without any force or duress, consents to the entry of this Order, without admitting or denying the factual allegations and conclusions of law stated herein, expressly waiving any right to a hearing in this matter; that BAK Ventures understands that the Director reserves the right to take further actions to enforce this Order or to take appropriate action upon discovery of other violations of the Oregon securities laws; and that BAK Ventures will fully comply with the terms and conditions stated herein.

BAK Ventures further assures the Director that neither BAK Ventures nor its officers, directors, employees or agents will effect securities transactions in Oregon unless such activities are in full compliance with the terms of this Order and the Oregon Securities Law and Oregon Administrative Rules thereunder.

[THE REST OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK]

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

BAK Ventures understands that this Consent Order is a public document.

BAK VENTURES, INC.

By: /s/ Scott J. Baklenko
Scott J. Baklenko
Office Held: President

State of Washington

County of King

Subscribed and sworn to before me Dec. 5, 2011

/s/ Dave J. Williams
Notary Public

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

