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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:

Order No. S-02-352-02-TO01

LUCKY U INVESTMENT, INC.; RONALD
MARK ALLEN; and NEIL QUAINANCE

SUMMARY ORDER TO CEASE AND DESIST

Respondents

Case No. S-02-352

THE STATE OF WASHINGTON
TO:

Lucky U Investment, Inc.
Ronald Mark Allen
Neil Quaintance

STATEMENT OF CHARGES

Please take notice that the Washington Securities Administrator has reason to believe that Respondents, LUCKY U INVESTMENT, INC., RONALD MARK ALLEN and NEIL QUAINANCE, have each violated the registration and anti-fraud provisions of the Securities Act of Washington and that their violations justify the entry of an order under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator also finds as follows:

SUMMARY ORDER TO CEASE AND
DESIST

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DEPARTMENT OF FINANCIAL INSTITUTIONS
Securities Division
PO Box 9033
Olympia, WA 98507-9033
360-902-8760

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TENTATIVE FINDINGS OF FACT

I.

RESPONDENTS

1. Lucky U Investment, Inc. (“Lucky U”) is a Washington corporation that was incorporated on February 27, 2002 and has its principal place of business at 3119 N. Nevada, Spokane, WA 99207. Prior to that time, Lucky U had been doing business as an informal general partnership. Lucky U is in the business of soliciting investments to fund loans for used car purchases.

2. Ronald Mark Allen (“Allen”) is president of Lucky U. Allen resides in Spokane, Washington.

3. Neil Quaintance (“Quaintance”) is vice president of Lucky U. Quaintance resides in Spokane, Washington.

II.

NEWSPAPER ADVERTISEMENT

From October 2001 through October 2002, Lucky U has advertised its investments in *the Exchange*, a Spokane classified advertising newspaper. The October 4, 2002 edition of *the Exchange* includes an advertisement for Lucky U investments with a “guaranteed 18% annual return.” The advertisement lists Lucky U’s address and contact telephone numbers. Lucky U represents that it has discontinued advertising, but it does not represent that it has discontinued the offer and sale of investments.

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III.

OFFER AND SALE OF INVESTMENTS

During 2001 and 2002, Lucky U, Allen and Quaintance have offered and sold more than \$500,000 worth of Lucky U investments to at least fifty investors, most of whom are Washington residents. The investments are supposed to be used to finance used car purchases. In many cases, the investor funds are pooled together and the investors rely upon others to generate the return on their investment.

The investors are generally promised 18% to 24% annual interest. They receive promissory notes in the form of written loan agreements that include a transaction date, an annual interest rate and an obligation to repay a specified amount of money that is generally due within two weeks after notice from the investor. In some cases, investors receive monthly interest payments. In other cases, investors accrue the interest that is due on their investments.

IV.

MISREPRESENTATIONS AND OMISSIONS

When offering Lucky U investments by advertising in *the Exchange*, Lucky U and Allen have each misrepresented the safety of the investments by advertising that the investments had a “guaranteed return” when the Lucky U agreements provide no such guarantee.

When offering and selling Lucky U investments, Respondents have each failed to disclose material information about the investments. Respondents have each failed to disclose the risks of the investment. Respondents have each failed to give investors financial statements for Lucky U, Allen or Quaintance. Respondents have each failed to identify the specific use of investor proceeds.

Respondents have each failed to disclose the default rate for loans financed by Lucky U investors; the

1 lending guidelines, if any, followed by Lucky U; the credit screening procedures, if any, followed by
2 Lucky U; the mileage, value and condition of cars that purportedly secure the investments; the
3 payment tracking system, if any, used by Lucky U; the repossession guidelines and procedures, if
4 any, followed by Lucky U; whether investors have a perfected security interest in cars that
5 purportedly secure the investments; whether there is liability insurance coverage in favor of investors
6 for cars that purportedly secure the investments; the dependence of Lucky U on a few key individuals
7 and the business background and experience of those individuals.

8 In some cases, when offering and selling investments, Respondents have represented to investors
9 that their investments are secured by an automobile dealership reserve account. Respondents have
10 failed to give the investors any financial statements showing the value of the reserve account.

11 V.

12 UNREGISTERED SECURITIES

13 The offering of Lucky U investments is not currently registered in the State of Washington and
14 has not previously been so registered.

15 VI.

16 UNREGISTERED SECURITIES BROKER-DEALER AND SECURITIES SALESPERSON

17 Respondents are not currently registered as securities broker-dealers or securities salespersons in
18 the State of Washington and have not previously been so registered.

19 VII.

20 THREAT TO THE INVESTING PUBLIC

21 The Securities Administrator finds that Respondents' continued offering of Lucky U investments as
22 described above presents a threat to the investing public.

1 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

2 CONCLUSIONS OF LAW

3 I.

4 The offer or sale of the Lucky U investments described above constitutes the offer or sale of a
5 security as defined in RCW 21.20.005(10) and (12), whether in the form of an investment contract,
6 note or evidence of indebtedness.

7 II.

8 The offer or sale of said securities is in violation of RCW 21.20.140 because no registration for
9 such offer or sale is on file with the Washington Securities Administrator.

10 III.

11 Respondents have each violated RCW 21.20.040 because Respondents have each offered and
12 sold said securities while not being registered as a securities broker-dealer or securities salesperson in
13 the state of Washington.

14 IV.

15 Respondents have each violated RCW 21.20.010 because, in connection with the offer and sale of
16 said securities, Respondents have each made untrue statements of material fact or omitted to state
17 material facts necessary in order to make the statements made not misleading to investors.

18 V.

19 The Securities Administrator finds that Respondents' continued violations of RCW 21.20.010,
20 RCW 21.20.040, and RCW 21.20.140 constitute a threat to the investing public and that summary
21 orders to cease and desist from those violations are in the public interest and necessary for the
22 protection of the investing public.
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SUMMARY ORDER

Based upon the foregoing, NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Lucky U Investment, Inc., Ronald Mark Allen, Neil Quaintance and their agents and representatives shall each cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

It is further SUMMARILY ORDERED that Lucky U Investment, Inc., Ronald Mark Allen, Neil Quaintance and their agents and representatives shall each cease and desist from violation of RCW 21.20.040, the securities broker-dealer and securities salesperson registration section of the Securities Act.

It is further SUMMARILY ORDERED that Lucky U Investment, Inc., Ronald Mark Allen, Neil Quaintance and their agents and representatives shall each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act.

AUTHORITY AND PROCEDURE

15 This Order is entered pursuant to the provisions of RCW 21.20.390 and is subject to the
16 provisions of Chapter 34.05 RCW. The respondents may each make a written request for a hearing as
17 set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
18 accompanying this order. If a respondent fails to make a timely hearing request, the Securities
19 Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final
20 and to enter a Final Order to Cease and Desist against that respondent.

CONTINUING INVESTIGATION

22 The Securities Division may continue to investigate this matter to determine whether there has
23 been any misuse of investor funds.

1 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

2 DATED this _____ day of December, 2002

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5 _____
6 DEBORAH R. BORTNER
7 Securities Administrator

8 Approved by:

8 Presented by:

9
10 _____
11 Michael E. Stevenson
12 Chief of Enforcement

10 _____
11 Janet So
12 Financial Legal Examiner

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25 SUMMARY ORDER TO CEASE AND
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25 DEPARTMENT OF FINANCIAL INSTITUTIONS
26 Securities Division
27 PO Box 9033
Olympia, WA 98507-9033
360-902-8760