

1 **STATE OF WASHINGTON**
2 **DEPARTMENT OF FINANCIAL INSTITUTIONS**
3 **SECURITIES DIVISION**

4 IN THE MATTER OF DETERMINING) Order Number S-05-006-05-SC01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
7) OF INTENT TO ENTER ORDER TO CEASE
8) AND DESIST AND NOTICE OF INTENT
9 R.W. Taylor & Associates, Inc. and) TO IMPOSE FINES AND RECOVER
10 Richard Taylor,) COSTS
11)
12 Respondents.)

13 THE STATE OF WASHINGTON TO: R.W. Taylor & Associates, Inc.
14 Richard Taylor

15 **STATEMENT OF CHARGES**

16 Please take notice that the Securities Administrator of the State of Washington has reason
17 to believe that Respondents, R.W. Taylor & Associates, Inc. and Richard Taylor, have each
18 violated the Securities Act of Washington and that their violations justify the entry of an order of
19 the Securities Administrator under RCW 21.20.390 against each to cease and desist from such
20 violations. The Securities Administrator finds as follows:

21 **TENTATIVE FINDINGS OF FACT**

22 **I. PARTIES**

23 1. R.W. Taylor & Associates, Inc. ("Taylor & Associates") is a Washington state
24 corporation with its principal place of business at 33121 13th Ave SW, Federal Way, WA 98023.
Taylor & Associates purportedly invested in real estate.

2. Richard Taylor ("Taylor") is the President of Taylor & Associates.

STATEMENT OF CHARGES AND NOTICE OF INTENT TO ENTER ORDER TO CEASE AND DESIST AND NOTICE OF INTENT TO IMPOSE FINES AND RECOVER COSTS

1

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

1 II. NATURE OF THE OFFERING

2 Investor A

3 3. Investor A met Taylor through the sale of real estate. Taylor, in or around March
4 of 2004, approached Investor A about an investment opportunity with Taylor & Associates.
5 Investor A believed that Taylor would use Investor A's money to buy houses, remodel the
6 houses and then sell the houses for a profit.

7 4. Taylor told Investor A that he would start Investor A's investment with Taylor &
8 Associates slowly. Taylor promised Investor A that he would make \$2,000 on an initial \$10,000
9 investment within a few weeks. Investor A gave Taylor approximately \$1,000 and the
10 investment was returned with interest within a month.

11 5. In or around March of 2004 Investor A gave Taylor \$16,000. Investor A was to
12 receive principal plus interest of \$1,600 by April of 2004. In or around April of 2004 Investor A
13 gave Taylor an additional \$28,200 to be used by a couple for the purchase of a home. Investor A
14 was to receive principal plus interest of \$2,820 by May of 2004 on the second investment.

15 6. After investing, Investor A asked for an explanation of where his money was
16 invested and Taylor could not give him one. Taylor told Investor A that the money was invested
17 with a real estate investment company, but did not include any specifics.

18 7. In or around January of 2005 Investor A asked for his money back and Taylor
19 told him that he would have to talk to the company he was working for to see if he could get
20 Investor A's money back. Taylor did not tell Investor A the name of the company.

Investor B

8. Investor B met Taylor through the finance of a real estate purchase where Taylor was acting as Investor B's mortgage broker. During the process Taylor spoke to Investor B about refinancing her home and investing the money with Taylor & Associates. Taylor told Investor B that Investor B would be able to pay off the mortgage on her current home and purchase the house she had always wanted after investing with Taylor & Associates. Taylor told Investor B the money was going to be used to purchase real estate, but did not include any specifics.

9. In or around June of 2004 Investor B invested \$75,000 with Taylor & Associates in the form of a six month promissory note. Taylor told Investor B that in return for the \$75,000 investment Investor B would receive a high interest rate and monthly payments of \$750. Investor B would also receive a "flat fee" of \$7,500 on the investment.

10. Taylor requested that Investor B pay for the investment with four cashiers checks; three for \$20,000 and one for \$15,000. Taylor told Investor B that he needed smaller amounts of money to complete multiple real estate transactions.

11. In or around September of 2004 Taylor approached Investor B for an additional investment of \$13,000. Investor B was offered a \$300 return on \$8,000 and told by Taylor that principal plus interest would be paid back in three days. Investor B was offered a \$500 return on \$5,000 and told by Taylor that principal plus interest would be paid back in one week. Investor B wrote Taylor two personal checks for a total of \$13,000.

12. Taylor told Investor B in or around October of 2004 that he did not have money to pay Investor B. Taylor did not tell Investor B where the money was or why he did not have the

1 money. When Investor B asked questions about the investment Taylor refused to give Investor B
2 specific information.

3 Investor C

4 13. Investor C was introduced to Taylor by Investor B. Investor C had told Investor B
5 that she had received a settlement as part of a lawsuit and wanted to invest the money. Investor B
6 told Investor C that she had invested with Taylor & Associates and gave Investor C Taylor's
7 contact information.

8 14. In or around August of 2004 Taylor met with Investor C at her home and Taylor
9 told Investor C that her money would be invested in real estate but did not include any specifics.

10 15. In or around August of 2004 Investor C invested \$50,000 with Taylor &
11 Associates in the form of a three year promissory note. Taylor told Investor C that in return for
12 the \$50,000 investment, Investor C would receive an annual interest rate of 12% with monthly
13 payments of \$500. Investor C would also receive a flat fee of \$5,000 on the twelfth, twenty-
14 fourth and thirty-sixth month of the promissory note. Taylor requested that Investor C pay for the
15 investment with three cashiers checks; one for \$20,000 and two for \$15,000.

16 16. In or around October of 2004 Taylor approached Investor C for an additional
17 investment of \$5,000. Investor C was offered a \$200 return on \$5,000 and told by Taylor that
18 principal plus interest would be paid back in approximately one month. Taylor told Investor C
19 that the money was going to be used in a way similar to a car loan, but Investor C was not sure
20 how the money was to be invested. Investor C gave Taylor a cashiers check for \$5,000.

21 17. Taylor called Investor C and left a message that the \$5,000 had never been
22 invested and that Investor C needed to call him back to set up a meeting and the money would be

1 returned. Investor C returned Taylor's call but Taylor never called Investor C back to set up a
2 meeting.

3 Investor D

4 18. Investor D, a ninety-six year old woman, met Taylor when he assisted Investor D
5 with a reverse mortgage. In or around February of 2005 Taylor approached Investor D about
6 taking out an additional reverse mortgage and investing the money with Taylor & Associates.

7 19. Investor D's caregiver became aware of the investment and called Taylor to talk
8 to him about it and find out more information for Investor D. Taylor refused to give the caregiver
9 specifics on the investment. After learning of the caregiver's conversation with Taylor, Investor
10 D decided not to invest with Taylor & Associates.

11 III. MISREPRESENTATIONS AND OMISSIONS

12 20. Taylor failed to disclose material information about the investments in Taylor &
13 Associates described above, including, but not limited to, the general and specific risks involved
14 with the investment, the Respondents' experience and track record, that money invested would
15 be deposited in one account and commingled with money used for personal and business
16 purposes, and financial statements for Taylor & Associates.

17 IV. REGISTRATION STATUS

18 21. Taylor & Associates is not currently registered to sell securities in the state of
19 Washington and has not previously been so registered.

20 22. Taylor is not currently registered as a securities salesperson or broker-dealer in
21 the state of Washington and has not previously been so registered.

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

2
3 **CONCLUSIONS OF LAW**

4 1. The offer or sale of said securities described above constitutes the offer or sale of
5 a security as defined in RCW 21.20.005(10) and (12).

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

8 3. Taylor has violated RCW 21.20.040 by offering or selling said securities while
9 not registered as a securities salesperson or broker-dealer in the state of Washington.

10 4. The offer or sale of said securities was made in violation of RCW 21.20.010
11 because as set forth in the Tentative Findings of Fact, Respondents either made untrue statements
12 of material facts or omitted to state material facts necessary in order to make the statements
13 made, in light of the circumstances under which they were made, not misleading.

14
15 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

16 Based on the above Tentative Findings of Fact and Conclusions of Law, the Securities
17 Administrator intends to order that Respondents, R.W. Taylor & Associates, Inc. and Richard
18 Taylor, their agents and employees each cease and desist from violations of RCW 21.20.010,
19 RCW 21.20.040, and RCW 21.20.140.

1 **NOTICE OF INTENT TO IMPOSE FINES**

2 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
3 Conclusions of Law, the Securities Administrator intends to order that Respondents, R.W. Taylor
4 & Associates, Inc. and Richard Taylor, shall be jointly and severally liable for and pay a fine of
5 \$40,000.

6
7 **NOTICE OF INTENT TO RECOVER COSTS**

8 Pursuant to RCW 21.20.390 and based upon the Tentative Findings of Fact and
9 Conclusions of Law, the Securities Administrator intends to order that Respondents, R.W. Taylor
10 & Associates, Inc. and Richard Taylor, shall be jointly and severally liable for and pay the costs,
11 fees, and other expenses incurred in the conduct of the administrative investigation and the
12 administrative proceeding in this matter in an amount not less than \$8,500.

13
14 **AUTHORITY AND PROCEDURE**


15 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and
16 RCW 21.20.395 and is subject to the provisions of RCW 34.05. The Respondents, R.W. Taylor
17 & Associates, Inc. and Richard Taylor, may each make a written request for a hearing as set forth
18 in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
19 accompanying this order.

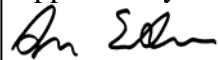
20 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
21 the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent
22 order to cease and desist and impose fines and costs as to that Respondent.


1 **CONTINUING INVESTIGATION**

2 The Securities Division is continuing to investigate this matter, including the practices of
3 Respondents, to determine the full extent of the violations of the Securities Act that may have
4 occurred.

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6 Dated and Entered this 31st day of October, 2005

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8 
9 MICHAEL E. STEVENSON
Securities Administrator

10 Approved by:
11 
12 Suzanne Sarason
Chief of Compliance &
Examinations

Presented by:
13 
14 Kate Reynolds
15 Financial Legal Examiner
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