

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

4 IN THE MATTER OF DETERMINING) Order Number S-08-124-08-SC01
5 whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE
7 Gary Young;) OF INTENT TO ENTER ORDER TO CEASE
8) AND DESIST, TO IMPOSE FINES, AND TO
9) CHARGE COSTS
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24)
Respondent)

THE STATE OF WASHINGTON TO: Gary Young

10 **STATEMENT OF CHARGES**

11 Please take notice that the Securities Administrator of the State of Washington has reason
12 to believe that Respondent, Gary Young, has violated the Securities Act of Washington and that
13 his violations justify the entry of an order of the Securities Administrator under RCW 21.20.390
14 against him to cease and desist from such violations, impose fines, and charge costs. The
15 Securities Administrator finds as follows:

17 **TENTATIVE FINDINGS OF FACT**

18 *Respondent*

19 1. Gary Young (“Young”) was licensed as an insurance agent in Washington State until
20 February 2005. His Washington State Office of the Insurance Commissioner number was
21 117337. Young has never been licensed as a securities salesperson in the State of Washington.
22 Young resides in Colfax, Washington.

24 STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND DESIST,
TO IMPOSE FINES, AND TO CHARGE COSTS

1

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

1 **NATURE OF THE OFFERING**

2 2. Beginning in approximately 2000, Investor A, a Washington resident, purchased
3 business insurance from Young.

4 3. In approximately May or June 2004, Young approached Investor A about an
5 investment opportunity in a strawboard company. At the time Young did not disclose the name
6 of the company. Investor A later learned the name of the company was the Agricultural
7 Commodities Association Northwest (“ACANW”).

8 4. Young told Investor A that ACANW produced a two inch thick wall panel similar
9 to a cubicle divider and that the company needed the money to build a plant in Colfax,
10 Washington. Young told Investor A that the company was also planning to build a biodiesel
11 plant in Colfax, Washington.

12 5. Young told Investor A that the company needed investment funds to start building
13 the plants and the investment was an excellent money making opportunity that would pay a
14 100% return in thirty days.

15 6. When Investor A told Young that he would not invest because Investor A was not
16 acquainted with the people who ran the company, Young told Investor A that Young would
17 personally guarantee the funds by giving Investor A a promissory note for the investment funds.

18 7. Based on these representations, in November 2004, Investor A agreed to invest.
19 On or about November 5, 2004, Investor A gave Young a check written to “Gary Young” in the
20 amount of \$5,000.

21 8. Young gave Investor A a “Note of Promissory Payment” dated November 5, 2004
22 which stated the note would pay 100% interest due in thirty days. Young did not provide any
23 other written information about the investment or disclosure about the risks of the investment.

1 9. Young signed the promissory note in his individual capacity. Young had an
2 employment relationship with ACANW but did not have the authority to guarantee the
3 investment funds on behalf of the company.

4 10. When the note came due, Young did not repay the note or pay the interest.
5 Instead, he told Investor A that the funds were on their way.

6 11. Each month Young promised that the money would be forthcoming.

7 12. In January 2005, Young told Investor A that additional funds were needed to
8 build the strawboard plant and asked him to make another investment.

9 13. Based on Young's representations, in February 2005, Investor A agreed to invest
10 additional funds. On or about February 10, 2005, Investor A gave Young a check written to
11 "Gary Young" in the amount of \$4,000.

12 14. On February 10, 2005, Young gave Investor A a "Note of Promissory Payment"
13 for \$4,000. The promissory note indicated that the note would pay 100% interest. It did not
14 state when the payment was due; however, Investor A understood the payment to be due in thirty
15 days.

16 15. Young signed the promissory note in his individual capacity. He did not have the
17 authority to guarantee the investment funds on behalf of the company.

18 16. Young did not provide any other written information about the investment or
19 disclosure about the risks of the investment.

20 17. The note was not paid when it came due. Young told Investor A many reasons
21 why the investments had not been repaid including that JP Morgan Chase was holding the funds,
22 that the funds were being held up in Canadian customs, that bad weather in Toronto was holding
23

1 up the release of the funds, that the president of the African Federal Reserve was holding the
2 funds, and that Nigerians were suing JP Morgan Chase to get access to the funds.

3 18. Prior to the investments, Young had not mentioned that the funds would be
4 leaving the country, that the funds would be invested through JP Morgan Chase, that the
5 president of the African Federal Reserve would be involved in the investment, or that Nigerians
6 would have access to the funds.

7 19. Investor A requested his funds back. Young has not paid him back.

8 20. The Securities Division is aware of at least two additional investors in this matter.
9

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

11 **CONCLUSIONS OF LAW**

12 1. The offer or sale of promissory notes described above constitutes the offer or sale
13 of a security as defined in RCW 21.20.005(10) and (12).

14 2. Respondent, Gary Young, has violated RCW 21.20.010 because, in connection
15 with the offer or sale of said securities, he directly or indirectly, made untrue statements of
16 material fact, or omitted to state material facts necessary in order to make the statements made,
17 in the light of the circumstances under which they were made, not misleading.

18 3. Respondent, Gary Young, has violated RCW 21.20.140, the securities registration
19 provision of the Securities Act, because he offered and/or sold securities for which there was no
20 registration on file with the Securities Administrator.

21 4. Respondent, Gary Young, has violated RCW 21.20.040 because he transacted
22 business in Washington State as a broker-dealer or securities salesperson while not registered as
23 such.

1 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

2 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and
3 Conclusions of Law, the Securities Administrator intends to order that the Respondent, Gary
4 Young, his agents, and employees, each cease and desist from violations of RCW 21.20.010,
5 RCW 21.20.040, and RCW 21.20.140.

6
7 **NOTICE OF INTENT TO CHARGE 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 Gary Young shall be
10 liable for and pay the costs, fees, and other expenses incurred in the investigation of \$1,000.

11
12 **NOTICE OF INTENT TO IMPOSE FINES**

13 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
14 Conclusions of Law, the Securities Administrator intends to order that Gary Young shall be
15 liable for and pay a fine of \$5,000.

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17 **AUTHORITY AND PROCEDURE**

18 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and
19 RCW 21.20.395, and is subject to the provisions of Chapter 21.20 and 34.05 RCW. The
20 respondent, Gary Young, may make a written request for a hearing as set forth in the NOTICE
21 OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this
22 order.

1 If the respondent does not request a hearing, the Securities Administrator intends to adopt
2 the above Tentative Findings of Fact and Conclusions of Law as final and enter a permanent
3 cease and desist order, charge costs, and impose fines as to the Respondent.

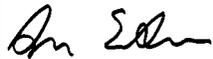
4 Dated and Entered this 21st day of May, 2008.

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7 MICHAEL E. STEVENSON
8 Securities Administrator

9 Approved by:

Presented by:

10 



11 Suzanne Sarason
12 Chief of Compliance

Kristen Culbert
Financial Legal Examiner