

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING) Order No.: S-10-438-12-FO01
Whether there has been a violation of the)
Securities Act of Washington by:) ENTRY OF FINDINGS OF FACT AND CONCLUSIONS
) OF LAW AND FINAL ORDER TO CEASE AND DESIST
Willie Louis Jones; Eddie Baker,) AS TO EDDIE BAKER
)
Respondents.)

On November 9, 2011, the Securities Administrator of the state of Washington issued a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs, S-10-438-11-SC01 (“Statement of Charges”), against Willie Louis Jones and Eddie Baker (“Respondents”). The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing, hereinafter referred to as “Notice of Opportunity for Hearing” and an Application for Adjudicative Hearing, hereinafter referred to as “Application for Hearing,” were served on Respondent Eddie Baker on November 12, 2011. The Notice of Opportunity for Hearing advised Respondent that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. On December 2, 2011, the Securities Division received Respondent Eddie Baker’s Application for Hearing. Respondent Eddie Baker waived his right to an administrative hearing in this matter and, in lieu thereof, elected to submit a written statement for consideration by the Agency Director or Securities Administrator. In the written statement, Respondent Eddie Baker stated “I have no money to pay,” and indicated that he also lost money through his dealings with Respondent Willie Louis Jones. Respondent Eddie Baker did not otherwise provide a sufficient basis for amendment of the Tentative Findings of Fact or Conclusions of Law set forth in the Statement of Charges.

Having considered Respondent Eddie Baker’s written statement and the investigative record, the Securities Administrator modifies the payment of the fine as to Respondent Eddie Baker from \$5,000, as set forth in the Statement of Charges, to \$1,000 in the Final Order that follows.

The Securities Administrator makes the following Findings of Fact and Conclusions of Law:

1 **FINDINGS OF FACT**

2 Respondents

3 1. Willie Louis Jones (“Jones”) is a Washington resident. Jones owned and acted as President and
4 Chairman of MDS. Jones owned MDMS and acted under the title “Senior Land Acquisitions Specialist.” Jones
5 operated in King and Pierce counties.

6 2. Eddie Baker (“Baker”) was a salesperson for MDS. Baker is a Washington resident.

7 Other Parties

8 3. MAC D Services, LLC (“MDS”) was a Washington limited liability company. MDS was formed on
9 February 16, 2006 and was administratively dissolved on June 2, 2008. The purported primary function of MDS
10 was to find and introduce land owners who wanted to sell their properties to builders and developers who wanted to
11 build on such properties.

12 4. MAC D Management Services, LLC (“MDMS”) was a Washington limited liability company. The
13 company was formed on September 6, 2005 and was cancelled on February 15, 2006. The company purportedly
14 managed the development of mixed use property.

15 Nature of the Conduct

16 **BACKGROUND**

17 5. From September 2005 to date, Jones offered and sold investments to at least 14 individuals, including
18 at least 13 Washington residents. The Washington residents were from King and Pierce counties. Jones procured
19 over \$500,000 from these investors. Jones told investors that he would invest their funds in MDMS, MDS, or in real
20 estate ventures. Investors provided their funds to Jones by personal check, cashier’s check, cash, or bank transfer.
21 Jones deposited investor funds into his business accounts. Some of these investments were evidenced by promissory
22 notes. The collateral that purportedly secured the promissory notes varied; one was purportedly secured by property
23 Jones did not actually own, another two were purportedly secured by the proceeds of a pending land sale.

24 6. Jones met several investors through previous investors. Jones encouraged previous investors to find
25 other investors by offering monetary rewards, by issuing back-dated checks on an empty bank account as evidence

of profits, and, in at least on instance, by offering a retirement account.

Examples

OFFERINGS – JONES AND MDMS

Investor A

7. In 2005, Jones met Investor A, a Washington resident, after patronizing a business Investor A owned. Jones solicited Investor A to invest in his real estate ventures. Jones told Investor A that he was in the business of buying properties and then selling the properties to developers at a price higher than that initially paid. Investor A provided Jones with a total of \$43,700 for three investments. During the relevant time period, Investor A was not a sophisticated investor and did not have experience investing in ventures like those Jones offered.

8. For the first investment, Jones issued promissory notes in his individual capacity to Investor A. On September 2, 2005, before he formed either MDMS or MDS, Jones offered Investor A an opportunity to invest in his real estate ventures. In return for a \$40,000 investment, Jones promised to pay Investor A \$60,000 after three months. Jones told Investor A that the \$60,000 would come from the proceeds of certain real estate deals.

9. On September 6, 2005, Jones formed MDMS. The second and third investments Jones offered to Investor A involved MDMS. The second investment occurred on September 23, 2005, when Jones solicited Investor A to invest \$2,500 in MDMS. In return for the funds, Jones offered to give Investor A half of the proceeds received in excess of \$100,000 from the sale of a piece of property. Investor A accepted the offer and wrote a \$2,500 check payable to MDMS. The third investment occurred on October 18, 2005, when Jones solicited Investor A to invest \$1,200 in MDMS. In return, Jones offered to pay Investor A \$3,600 after one month. Investor A accepted and wrote a \$1,200 check payable to “Mac D.”

10. To evidence the debt Jones owed Investor A for the first investment, Jones said he would issue three promissory notes for a total amount of \$60,000. Jones only issued two promissory notes to Investor A, one for \$10,000 and one for \$40,000. Both notes were dated September 2, 2005, and were to be paid upon the closing of certain real estate deals. The \$10,000 promissory note indicated that the real estate deal triggering its payment would close on or before October 31, 2005. The \$40,000 promissory note indicated that the real estate deal

1 triggering its payment would close on or before November 31, 2005. The real estate deal outlined in the \$40,000
2 note closed on February 15, 2006. Investor A never received funds directly upon the closing of the real estate deals.

3 11. Between September 2005 and April 2006, Jones repaid Investor A a total of \$29,000 for the first
4 investment. Jones made these payments on three separate occasions, at least once in the form of a cashier's check.
5 Jones told Investor A that the first two such payments, totaling approximately \$20,000, were profits and that the
6 principal was to be paid later. Additionally, on April 24, 2006, Jones wrote a \$20,000 check to repay Investor A.
7 The check was drawn on an account with insufficient funds. Investor A was never able to deposit the check. To
8 date, neither Jones nor MDMS have further repaid Investor A.

9 12. On February 15, 2006, Jones's sister, a member and registered agent of MDMS, filed a document to
10 cancel the LLC with the Washington Secretary of State. The document stated that MDMS was being cancelled
11 because "the business is not able to sustain it's self [sic] on its own." Jones did not inform Investor A of MDMS's
12 cancellation.

13 OFFERINGS - MDS

14 13. On February 16, 2006, Jones formed MDS.

15 14. Investors B, C, D, E, F, and G, along with Baker, were or are employees of King County, Solid Waste
16 Division. Investor B introduced Jones to Baker. Jones enlisted the help of Baker to identify potential investors.
17 Baker, for compensation, solicited Investors C, D, E, and F to invest with Jones in MDS and then introduced the
18 investors to Jones. Baker collected investment funds for MDS from these investors. In return, Jones said he paid
19 Baker a finder's fee of approximately \$10,000. Jones also promised to create a retirement fund for Baker. Baker
20 believed that the retirement fund would amount to \$1,000,000.

21 15. Jones solicited Investors B, C, D, E, F, and G, along with Baker, with substantially similar investment
22 opportunities. Namely, Jones told these investors that MDS owned a piece of property in Des Moines, Washington
23 that the company was developing. Jones said that the development project was a multi-million dollar deal that
24 involved influential individuals such as the Mayor of Des Moines and a millionaire developer. Neither of these
25 influential individuals was involved in the development project. Neither Jones nor MDS ever owned the Des

1 Moines property.

2 16. In March and April 2007, Jones sent out letters to MDS investors explaining that their investment
3 funds would be invested in MDS's "short and long term Real Estate and Mix use Development projects." Jones also
4 wrote that the investments were "projected to turn a profit within 15 to 18 months" and that the investors "will
5 experience between 30 to 40 percent return on [their] initial monetary investment." Jones noted that MDS
6 "currently has land contracts totaling over \$5.1 million" and had "acquisitioned 2.2 acres [in] Des Moines,
7 Washington." Jones stated that this had a "total market value [of] \$12 million." Jones assured investors that their
8 funds were not at risk, writing that MDS "secures all investor's funds with the company's land and servicing
9 projects" and that "this will allow the company to protect your initial investments." MDS's only major asset was a
10 salon. For some investors, these letters reiterated information that Jones spoke to them about previously. At least
11 one investor, Investor E, invested after receiving one of said letters.

12 17. Jones partially repaid some investors, often from funds contributed by newer investors. Some
13 investors received their initial investment plus profits and were then convinced to reinvest, after which they received
14 nothing. Other investors never received any returns or repayment. Often, after investors' returns were due, Jones
15 repeatedly told investors that they would receive their returns at a later date. Jones gradually became difficult to
16 contact and eventually stopped communicating with investors entirely. Jones did not notify investors when MDS
17 dissolved.

18 18. None of the following individuals were sophisticated investors or had experience investing in
19 ventures like those Jones offered. Each investor discussed below is a Washington resident.

20 **Eddie Baker**

21 19. Jones told Baker that MDS was working on a deal regarding property development in Des Moines.
22 Baker contends that he invested \$100,000 with Jones. Baker purportedly made two kinds of investments with Jones.
23 One way Baker "invested" in Jones was by repaying investors on behalf of Jones and MDS. Baker also purportedly
24 provided Jones with cash to invest in MDS. According to Baker, Jones said he would repay the cash Baker invested
25 and would set up the retirement fund mentioned in paragraph 14 above.

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Investor B

20. Soon after Jones formed MDS, he met Investor B at a gym. In the spring of 2006, Jones solicited Investor B to invest in MDS. Jones told Investor B that MDS was working on several real estate development projects. Investor B invested \$10,000 with Jones for the MDS ventures. On July 28, 2006, MDS issued Investor B a check for \$15,000. On August 2, 2006, after encouragement from Jones to reinvest, Investor B invested \$20,000 with Jones in MDS's projects. Jones promised to pay Investor B a total of \$35,000, half to be paid in December 2006 and half to be paid in March 2007. Jones never repaid Investor B for the reinvested funds.

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Investor C

21. In 2006, Baker solicited Investor C to invest in MDS and indicated that Jones was offering a lucrative real estate investment opportunity. Following the initial solicitation, Jones told the investor that he owned a piece of property in Des Moines, Washington. Jones also said that he needed investors to raise funds for a down payment to build condominiums on the property. Jones never owned said property.

22. On December 7, 2006, Investor C and Baker signed a promissory note evidencing a \$50,000 investment. Although Baker was the sole obligor on the promissory note, the note was meant to evidence an investment in MDS. The note provided that Investor C would receive 18% interest and identified one of Baker's homes as security on the investment. Despite the \$50,000 note, Investor C wired only \$45,000 to MDS's bank account on December 15, 2006. Jones guaranteed Investor C that an investment of \$45,000 would yield \$86,000 in one year. Jones contends that he repaid Investor C \$15,000 with interest, while Investor C contends that Jones never repaid these funds. Jones provided no reason explaining the discrepancies regarding the repayment.

23. On May 30, 2007, Investor C transferred \$25,000 to MDS's bank account on behalf of a friend. The friend wrote Investor C a check for \$25,000 with the understanding that Investor C would invest the funds in MDS on the friend's behalf. Jones projected that the friend would get approximately \$40,000 in return for the investment. Jones never repaid these funds.

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Investor D

24. In early 2007, Baker solicited Investor D to invest in MDS. Baker introduced Investor D to Jones.

1 Jones told Investor D that he would invest the funds in building condominiums on a property in Des Moines. Jones
2 also told Investor D that some of the investor's funds would be used to purchase a percentage of MDS. From
3 February to May 2007, Investor D provided Baker with six different cashier's checks totaling \$150,000 for
4 investment with Jones in MDS's real estate ventures. Baker gave the checks to Jones. On May 29, 2007, Investor D
5 wired an additional \$25,000 to MDS's bank account for investment in the company's ventures.

6 25. Jones provided Investor D with photocopies of checks payable to Investor D for a total of \$148,000.
7 According to Jones, the photocopied checks were examples of profits the investor could have received depending on
8 the level and amount of investors. Investor D never received the original checks. Jones repaid Investor D
9 approximately \$50,000.

10 **Investor E**

11 26. In 2007, Baker solicited Investor E to invest in MDS. After this initial solicitation, Jones outlined the
12 investment offer in a letter he sent to Investor E, the contents of which are described above in paragraph 16.
13 Between April and May 2007, Investor E gave Jones two cashier's checks payable to MDS for a total of \$45,000. In
14 return, Jones said that he would pay Investor E \$60,000 in one year. Jones contends that he repaid Investor E
15 \$15,000 with interest, while Investor E contends that Jones never repaid these funds.

16 27. Jones wrote a letter to Investor E "to offer [the investor] a chance to raise money and/or capital for
17 [MDS]." In the letter, Jones stated that "[MDS] is offering you a sum of \$80,000. If you raise \$500,000 dollars in
18 60 days." Investor E declined to raise capital for MDS.

19 **Investor F**

20 28. In late 2007, Baker solicited Investor F to invest in MDS. Baker told Investor F that Jones offered
21 good investment opportunities.

22 29. In October 2007, Jones sold LLC membership interests in MDS to Investor F for \$100,000. As
23 payment, Investor F gave Jones a cashier's check for \$100,000 payable to MDS. Jones said that the investment
24 would entitle the investor to \$140,000 after one year. Jones and Investor F signed a promissory note evidencing the
25 investment. Jones filled in a section of the note with the address and parcel number of a piece of property. Jones

1 told Investor F that the property secured the investment funds. Jones did not own the property. Investor F never
2 participated in the business activities of MDS.

3 30. Jones later gave Investor F two back-dated checks for a total of \$90,000 payable to Investor F. Jones
4 wrote "return on investment" on the checks' memo lines. Jones told Investor F not to deposit the checks. Instead,
5 Jones encouraged Investor F to show the checks to others in order to promote investing with Jones. Investor F later
6 learned that the checks were drawn on a closed bank account. Investor F did not show the checks to others as Jones
7 requested.

8 31. In 2008, the property that purportedly secured Investor F's investment was sold. Investor F received
9 no funds from the sale. Jones never repaid the investor.

10 **Investor G**

11 32. In late 2007, Jones solicited Investor G to invest in MDS. Jones told Investor G that the investment
12 involved the development of property in Des Moines, Washington. In November 2007, Investor G invested \$38,400
13 in MDS. Investor G wired \$35,000 to MDS's bank account and gave \$3,400 in the form of a cashier's check to
14 Jones. Jones told the investor that the returns would be double or triple the amount provided. Jones encouraged the
15 investor's mother and sister to invest in Jones, suggesting that they refinance their homes or get a reverse mortgage
16 to come up with the funds. Jones even suggested that they sign the homes over to him. Investor G's family declined
17 to invest. Jones never repaid Investor G.

18 Prior Actions Relating to Jones

19 33. On October 23, 1997, the Washington State Department of Financial Institutions, Securities Division,
20 issued a Statement of Charges against Jones and Leo's Gallery International, Incorporated ("LGI") alleging the offer
21 and sale of unregistered securities, the use of an unregistered salesperson or broker-dealer, and material
22 misrepresentations or omissions in the sale of securities. The allegations stated that Jones acted as a salesperson
23 who solicited investors for investment in LGI stock. Jones was the President of LGI, a retail computer store, from
24 1994 through 1996. The respondents' alleged misrepresentation of the investment included: (1) giving investors
25 profit projections that had no reasonable basis; (2) failure to give investors audited financial statements showing the

1 company's current financial condition and operating history; (3) failure to specify how the investors' money would
2 be used; (4) failure to disclose the amount of money that would be required to operate the business; and (5) failure to
3 disclose that the stock was being sold at about the same time to different shareholders for different prices. On
4 November 14, 1997, the Statement of Charges was served on LGI.

5 34. On December 11, 2007, the Department of Financial Institutions, Consumer Services Division, issued
6 a Statement of Charges against Jones for falsely completing a loan originator license application and for
7 representing himself as an employee of a loan provider when he was not employed by or authorized to use the name
8 of the loan provider. The Statement of Charges alleged that Jones (1) failed to provide an accurate and complete
9 license application; (2) apparently violated the law by engaging in an unfair or deceptive practice toward a person,
10 for artifice, and for negligently making a false statement or willfully making an omission of material fact in
11 connection with an application of information filed by a licensee in connection with an application, examination, or
12 investigation conducted by the Department of Financial Institutions; and (3) failed to demonstrate character and
13 general fitness such as to command the confidence of the community and to warrant a belief that the business will be
14 operated honestly and fairly within the purposes of the Mortgage Broker Practices Act. On March 25, 2008, the
15 Consumer Services division and Jones entered into a Consent Order to resolve the Statement of Charges. Pursuant
16 to the Consent Order, Jones agreed to pay a fine and not to contest the Statement of Charges.

17 Misrepresentations and Omissions

18 35. Respondents failed to provide material information regarding the investments they offered and sold,
19 including but not limited to: financial statements, use of proceeds, their financial situation and ability to repay debts,
20 their business background and experience, and the risks of investing in MDS, MDMS, and Jones.

21 36. Respondents misrepresented the risk of investment with Jones and his businesses by telling investors
22 that their funds were secured by real estate and development projects, and by telling at least one investor that no risk
23 existed due to the issuance of a promissory note.

24 37. Respondents failed to disclose material information regarding the number and dollar amount of
25 outstanding promissory notes between Respondents and other investors. Respondents also failed to disclose that

investors were being repaid with personal funds and not those generated from MDS's business activities.

38. Jones misrepresented the success of his business activities by falsely stating to investors that MDS had land contracts totaling over \$5.1 million and that MDS had acquisitioned land worth \$12 million.

39. Jones misrepresented the use of investor funds by falsely stating to investors that MDS would use the investment funds to develop condominiums on a property owned by Jones.

40. Jones failed to disclose to investors that the profits paid to investors were dependent upon his ability to continue to bring in funds from other investors. Jones also failed to disclose to MDS investors that he never fully repaid Investor A and that MDMS dissolved because it was unsustainable.

41. Jones failed to disclose material information regarding his debt obligations. On July 31, 1996, during Jones' tenure as President of LGI, the company filed for bankruptcy. The LGI bankruptcy resulted in forty-eight separate claims for a total of \$4,766,403.37. This debt was not discharged through the bankruptcy proceeding. In January 1998, Jones filed for bankruptcy and listed that he was doing business as LGI. No debts were discharged through this bankruptcy proceeding. In September 2002, Jones filed for bankruptcy and listed that he owed approximately \$300,000. This debt was not discharged through the bankruptcy proceeding. Since 1997, Jones has also accrued significant child support obligations. As of June 16, 2011, Jones owed \$56,000 in child support.

Registration Status

42. MDS is not currently registered to sell securities in the state of Washington and has not previously been so registered. There is no notification of exemption regarding MDS on file with the state of Washington.

43. MDMS is not currently registered to sell securities in the state of Washington and has not previously been so registered. There is no notification of exemption regarding MDMS on file with the state of Washington.

44. Jones is not currently registered to sell securities in the state of Washington and has not previously been so registered, nor has he filed a claim of exemption from registration.

45. Jones is not currently registered as a securities salesperson in the state of Washington and has not previously been so registered.

46. Baker is not currently registered as a securities salesperson in the state of Washington and has not

1 previously been so registered.

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

4 **CONCLUSIONS OF LAW**

5 1. The offer or sale of securities as described above constitute the offer and/or sale of a security as
6 defined in RCW 21.20.005(14) and (17), formerly codified as RCW 21.20.005(10) and (12).

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

9 3. Willie Louis Jones violated RCW 21.20.040 by offering or selling said securities while not registered
10 as a securities salesperson in the state of Washington.

11 4. Eddie Baker violated RCW 21.20.040 by offering or selling said securities while not registered as a
12 securities salesperson in the state of Washington.

13 5. The offer and/or sale of said securities is in violation of RCW 21.20.010 because, as set forth in the
14 Findings of Fact, Respondents made untrue statements of material fact and omitted to state material facts necessary
15 in order to make the statements made, in light of circumstances under which they were made, not misleading.

16 **FINAL ORDER**

17 Based upon the foregoing and finding it in the public interest:

18 IT IS HEREBY ORDERED that the Respondent, Eddie Baker, his agents and employees each shall cease and
19 desist from offering and/or selling securities in any manner in violation of RCW 21.20.140, the section of the
20 Securities Act of Washington requiring registration.

21 IT IS FURTHER ORDERED that the Respondent, Eddie Baker, his agents and employees each shall cease
22 and desist from violating RCW 21.20.040, the securities salesperson registration section of the Securities Act of
23 Washington.

24 IT IS FURTHER ORDERED that the Respondent, Eddie Baker, his agents and employees each shall cease
25 and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that the Respondent, Eddie Baker, shall be liable for and pay a fine in the
amount of \$1,000.

1 IT IS FURTHER ORDERED that the Respondent, Eddie Baker, shall be liable for and pay costs in the
2 amount of \$5,000.

3 **AUTHORITY AND PROCEDURE**

4 This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is subject
5 to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition the superior
6 court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for Judicial
7 Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this Order may
8 be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as a Superior Court judgment
as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

9 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

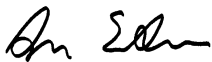
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11 SIGNED and ENTERED this 2nd day of February 2012.

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15 William M. Beatty
16 Securities Administrator

17 Approved by:

Presented by:

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20 Suzanne Sarason
21 Chief of Enforcement



22 Drew Stillman
23 Enforcement Attorney

24 Reviewed by:



25 Charles Clark
Financial Legal Examiner Supervisor

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