



1 representative with 1st Global Advisors Inc. From approximately January 2005 to December 2006,  
2 Barnes was licensed as a securities salesperson (CRD no. 4899147) in the State of Washington with 1st  
3 Global Capital Corp. Barnes has been licensed to practice public accounting with the Washington State  
4 Board of Accountancy since 1997.

5 2. Evergreen 1031, LLC (“Evergreen 1031”) is a Washington limited liability company  
6 formed by Barnes on September 22, 2008, with a business address in Ephrata, Washington.

7 Nature of the Offering

8 3. Between approximately 2009 and 2011, Barnes raised nearly \$800,000 through the offer  
9 and sale of investments in Evergreen 1031, LLC to at least eight investors in Washington. Barnes  
10 initially formed Evergreen 1031, LLC in 2008 to facilitate section 1031 tax-deferred real estate  
11 exchanges for his tax preparation clients. Barnes opened a bank account in the name of Evergreen  
12 1031, LLC to receive proceeds from property sales, and to facilitate the purchase of replacement  
13 properties as part of 1031 exchanges.

14 4. Beginning around 2009, Barnes began offering and selling real estate investments and  
15 arranged for investors to deposit funds into the Evergreen 1031, LLC bank account. In the fall of 2009,  
16 Barnes sent a letter to several of his clients regarding alternatives to investing in the stock market. The  
17 letter stated: “I was a licensed securities advisor and I couldn’t even recommend to my clients that they  
18 invest in the equities markets after so much turmoil.” Barnes indicated that home prices in certain U.S.  
19 cities had dropped 50% to 60% and investors could make “some good money . . . when they come back  
20 up.” Barnes indicated that he had traveled to Arizona and California and confirmed that it was a “good  
21 time to buy” homes in those states. Barnes indicated that he wanted to invest “other peoples’ money  
22 along with mine.” Barnes stated that the minimum investment was \$20,000, and that investors could  
23 not request a withdrawal of their funds for a period of one year. Barnes claimed that investors would  
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1 have security in “the real estate purchased and some properties that I personally already own.” Barnes  
2 stated that he would control buying and selling decisions and that property in Grant County,  
3 Washington would also be purchased.

4 5. Along with the letter, Barnes also provided a fact sheet regarding “Evergreen Investments,  
5 LLC.” The fact sheet stated that Evergreen Investments, LLC was a limited liability company managed  
6 by Barnes. In truth, Barnes never formed a limited liability company in that name. The fact sheet  
7 explained that Evergreen Investments was an “investment club” that would purchase single family  
8 homes in Phoenix, Arizona. According to Barnes, the homes that were purchased would be rented out  
9 and professionally managed by a property management company in Arizona. Barnes represented that  
10 after the price of the homes increased, the homes would be sold at a profit.  
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12 6. After sending out the initial letter and fact sheet to potential investors in 2009, Barnes  
13 continued to offer and sell investments to new investors through 2010 and early 2011. Barnes met with  
14 clients at his office in Ephrata and orally described the investment opportunity to them. Barnes did not  
15 provide investors with any written disclosure document regarding the investment. Barnes arranged for  
16 investor checks to be deposited into an account in the name of Evergreen 1031, LLC. Barnes typically  
17 provided investors with a membership certificate, which indicated that the investor held an ownership  
18 interest in a limited liability company named “Evergreen Investment Club.” In fact, Barnes never  
19 formed such an entity, and the investors did not hold any ownership interest in an entity bearing that  
20 name.  
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22 7. Barnes provided some of his investors with an Investor Information form for “Evergreen  
23 Desert Investments, LLC.” The form indicated that Evergreen Desert Investments, LLC was a “limited  
24 liability corporation” [sic] managed by Barnes, although Barnes never formed such an entity. Investors  
25 had the option of selecting either a fixed return of 6% or an “Unlimited Return.” Barnes provided other

1 investors with an account statement that identified Barnes as their Financial Advisor and described the  
2 investment as “Conservative Long-term Tax Advantaged.”

3 8. In 2011, Barnes sent a letter to one of his investors that stated “Thank you for choosing  
4 Evergreen Investment to invest your individual funds.” The letter stated that the investor had chosen  
5 the “most conservative investment Evergreen has available” and that “We have had a great deal of  
6 success in putting our clients in to [sic] that investment for retirement investing purposes.” The letter  
7 further represented that the “the return has actually been pretty good over the last two years even  
8 though most other “low risk” investments available on the market have been returning very little.”  
9 Barnes also sent a three-page “Investment Prospectus” for “Evergreen Investments, LLC” which was  
10 described as a “newly formed” LLC. In fact, Barnes never formed a limited liability company in this  
11 name. Barnes also provided the investor with an Investment Account Agreement, which included a  
12 purported securities brokerage account number.

#### 14 Misrepresentations and Omissions

15 9. In the offer and sale of the Evergreen 1031, LLC investments, the Respondents failed to  
16 disclose material information, which made the information that was disclosed, misleading to investors.  
17 The Respondents failed to provide investors with any written disclosure document containing material  
18 information concerning the investment, including, but not limited to, the prior use of offering proceeds,  
19 and financial statements for Evergreen 1031, LLC.

20 10. The Respondents also misrepresented the risks associated with the investment,  
21 characterizing it as “conservative” and “low risk.” Barnes misleadingly stated to one investor that the  
22 investment was very low risk and similar to a savings account at a bank. Barnes created the misleading  
23 impression that the investment was secured by real estate, including real estate that he personally  
24 owned. Barnes provided some investors with a misleading membership chart that indicated he had  
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1 contributed some of his personal real estate to Evergreen 1031, LLC in 2008 and 2010. In fact, at the  
2 time that Barnes offered and sold his investments, Evergreen 1031, LLC had no recorded ownership  
3 interest in any real property. In July 2011, months after selling the investments, Barnes recorded a quit  
4 claim deed on three properties that he owned in Ephrata, Washington, for the benefit of Evergreen  
5 1031, LLC. These properties were subject to bank or seller liens.

6 11. The Respondents also made misrepresentations concerning the use of investor funds. The  
7 Respondents led investors to believe that their funds would be used to purchase real estate in Arizona  
8 and Washington. In fact, no investor funds were used to purchase properties in Arizona or Washington.  
9 Instead, Barnes used investor funds for other purposes, including personal debts, personal expenses,  
10 expenses associated with real estate that he personally owned, and to repay prior investors. Barnes  
11 failed to disclose to investors that he transferred investor funds to other bank accounts that he  
12 controlled, and used those funds for other undisclosed purposes.

#### 14 Registration Status

15 12. Evergreen 1031, LLC is not currently registered to sell its securities in the State of  
16 Washington and has not previously been so registered.

17 13. Samuel A. Barnes is not currently registered as a securities broker-dealer or securities  
18 salesperson in the State of Washington, and has not been registered as a securities salesperson since  
19 2006.

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

#### 22 **CONCLUSIONS OF LAW**

23 1. The offer or sale of the investments described above constitutes the offer or sale of a  
24 security as defined in RCW 21.20.005(14) and (17), in the form of an investment contract.





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Signed by:

Evergreen 1031, LLC

By \_\_\_\_\_/s/\_\_\_\_\_  
Samuel A. Barnes, its managing member

Signed by:

SIGNED and ENTERED this 24th day of April, 2012



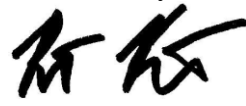
WILLIAM M. BEATTY  
Securities Administrator

Approved by:



Suzanne E. Sarason  
Chief of Enforcement

Presented by:



Robert Kondrat  
Enforcement Attorney