

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

4 IN THE MATTER OF DETERMINING) Order No.: S-11-0680-12-SC01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND NOTICE OF INTENT
7 Clarence C. Young Jr.; Cautious, LLC; West Coast) TO ENTER ORDER TO CEASE AND DESIST, TO
8 Financial, LLC; Safeguard Capital, LLC; Equity) IMPOSE FINES AND TO CHARGE COSTS
9 Interests, LLC; Be Well Today, LLC)
10 Respondents.)

11 **THE STATE OF WASHINGTON TO:** **Clarence C. Young Jr.;**
12 **Cautious, LLC;**
13 **West Coast Financial, LLC;**
14 **Safeguard Capital, LLC;**
15 **Equity Interests, LLC;**
16 **Be Well Today, LLC**

17 **STATEMENT OF CHARGES**

18 Please take notice that the Securities Administrator of the state of Washington has reason to believe that
19 Respondents, Clarence C. Young Jr.; Cautious, LLC; West Coast Financial, LLC; Safeguard Capital, LLC; Equity
20 Interests, LLC; and Be Well Today, LLC have each violated the Securities Act of Washington and that their violations
21 justify the entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease and desist
22 from such violations and to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator
23 finds as follows:

24 **TENTATIVE FINDINGS OF FACT**

25 Respondents

1. Clarence C. Young Jr. (Young) resides in Hansville, WA. Young was a Certified Public Accountant until
1996. His license was suspended due to being unresponsive to a complaint. In the years since, Young has acted as a
tax consultant for businesses and individuals. Young operates his tax consulting work under the name of C.C. Young
and Associates.

1 2. Cautious, LLC (Cautious) was a Washington limited liability company formed on January 27, 2004 that was
2 administratively dissolved as of May 3, 2010. Its principal place of business was located in Edmonds, WA. Young
3 managed Cautious.

4 3. West Coast Financial, LLC (West Coast) was a Washington limited liability company formed on October 28,
5 2004 that was administratively dissolved as of February 1, 2010. The registered address of West Coast was located in
6 Hansville, WA. Young managed West Coast.

7 4. Safeguard Capital, LLC (Safeguard) was a Washington limited liability company formed on February 14,
8 2006 that was administratively dissolved as of June 1, 2012. Its principal place of business was located in Hansville,
9 WA. Young managed Safeguard.

10 5. Equity Interests, LLC (EI) was a Washington limited liability company formed on June 23, 2005 that was
11 administratively dissolved as of October 1, 2009. Its principal place of business was located in Hansville, WA. Young
12 managed EI.

13 6. Be Well Today, LLC (Be Well) was a Washington limited liability company formed on July 17, 2001 that
14 was administratively dissolved as of November 2, 2009. The registered address of Be Well was located in Hansville,
15 WA. Young managed Be Well. Young's brother, Burl Young, was also a manager of Be Well.

16 Related Entities

17 7. Amigo Vino, LLC (Amigo) is an active Washington limited liability company formed on April 26, 2001. Its
18 principal place of business is located in Hansville, WA. Amigo is a vineyard owned by the Young family. Young and
19 his wife hold a majority interest in Amigo.

20 Summary

21 8. Between January 2004 and January 2007, Young created and managed four pooled investment vehicles,
22 through which he raised approximately \$7,441,132 from at least twenty-six investors by selling membership interests
23 in limited liability corporations (LLCs). Young's investors were often his clients from his tax consulting business. The
24 transactions he entered into with them were often based more on the trust the clients had in Young than on substantive
25 information about the investments. Young told prospective investors that he knew of a trading program that would

1 provide a high rate of return with no risk to the principal. Young explained to investors that this trading program
2 required a minimum initial investment amount in order to qualify for investment in the trading program. Young
3 formed four LLCs to act as vehicles to pool funds from several investors who would not otherwise be able to qualify
4 for the minimum investment amount. These four entities were Cautious, West Coast, Safeguard, and EI. As manager
5 of each of the four LLCs, Young had control over the LLC pooled funds and invested the LLC pooled funds in larger
6 trading programs of his choosing. Young charged a fee for managing these pooled investment vehicles.

7 9. Each of the trading programs that Young chose to invest LLC funds in was eventually investigated and helped
8 shut-down by either the U.S. Securities and Exchange Commission (SEC) or the U.S. Commodity Futures Trading
9 Commission (CFTC) due to fraud. Young never disclosed these investigations or any of their outcomes to any of the
10 investors. Despite Young's guarantee that the investors' principal would not be depleted, at least seven investors have
11 requested and been unable to recover their investment from Young. Young never disclosed to investors that he
12 transferred \$5,168,551, amounting to all of Safeguard principal and profits, to Amigo, his family-owned vineyard. Of
13 this \$5,168,551, Young spent \$3,668,551 on his vineyard and the remainder on an investment that was later
14 investigated and helped shut-down by the SEC due to fraud. Young created fictitious stories to explain why he is
15 unable to repay investors, including that the investment funds have been frozen by the SEC and that he has attorneys
16 working on a distribution. Young continues to reassure investors that a distribution is coming soon.

17 Nature of the Offering

18 *Cautious and West Coast*

19 10. In the beginning of 2004, Young began soliciting investors to purchase Cautious membership units. Each unit
20 cost \$100,000, though at least one investor was permitted to invest a lesser amount. Young solicited Cautious
21 investments from at least three of his tax consulting clients. These three Cautious investors were not accredited and
22 had no experience with pooled investment vehicles.

23 11. Young gave relatively few details regarding investment in Cautious to investors. Young explained to potential
24 investors that he had located a hedge fund, Directors Performance Fund, LLC (DPF), that required a minimum
25 investment of \$1 million. Young told potential investors that Cautious was a vehicle designed to pool funds from

1 several individual investors in order to qualify for participation. Young told some potential investors that, historically,
2 DPF had earned returns as high as 36% per annum. Young guaranteed to potential investors that their principal would
3 never be at risk of loss. Young did not explain how the principal funds would never be at risk of loss. Young told at
4 least one investor that she could get her investment back at any time.

5 12. Between July 7, 2004 and January 15, 2005, Cautious wired \$1.35 million into DPF, of which, at least
6 \$725,000 was raised through the sale of Cautious membership units to eight investors, seven of whom resided in
7 Washington at the time of the investment. Investors wired funds into a Cautious bank account located in Washington.
8 Young created receipts for capital contribution and unit ownership to memorialize each individual investor's
9 membership interest and investment amount.

10 13. On or about the time investors wired funds into Cautious, most investors signed the Cautious operating
11 agreement. According to the operating agreement, the purpose of Cautious was to invest in trading programs through
12 Be Well or a similar entity. Be Well members included Young and his brother, Burl Young.

13 14. Cautious and Be Well entered into an agreement on or about March 31, 2004. Under this agreement, Be Well
14 agreed to introduce Cautious to private placement opportunities. Cautious was not to speak with the transaction
15 principals without Be Well being a party to the conversation. Be Well was responsible for presenting the transaction
16 principals with Cautious's application for investment. In exchange for Be Well's services, Cautious was to pay Be
17 Well 15% of the net profits that Cautious earned from the private placement for the duration of the investment. Young
18 failed to disclose to investors that Cautious entered an agreement to pay an ongoing fee to Be Well for introducing
19 Cautious to the DPF investment. Young failed to disclose to investors that he was a managing member of Be Well.

20 15. The Cautious operating agreement also granted management powers to Young including the discretion to
21 manage and control Cautious. According to this operating agreement, Cautious would pay Young compensation in the
22 form of a management fee equal to five percent of the trading profits earned by Cautious.

23 16. On October 28, 2004, Young created a new entity under the name of West Coast. Young used West Coast as
24 a second vehicle to pool investor funds to invest in DPF. Similar to Cautious, West Coast raised funds through the
25 sale of West Coast membership units. Each unit cost \$100,000, though at least one investor bought a half unit for

1 \$50,000. Young solicited West Coast investments from at least three of his tax consulting clients. Young told
2 investors that DPF required a minimum initial investment of \$1 million. Young told investors that West Coast
3 provided a mechanism for investors, who could not afford to invest the \$1 million individually, to pool their funds to
4 qualify. The main difference between Cautious and West Coast was how Young represented the earnings would be
5 distributed. With Cautious, Young told investors that they could decide to either take a distribution of the earnings or
6 reinvest it annually. With West Coast, Young told investors that they could decide to either take a distribution of the
7 earnings or reinvest it quarterly. In the end, there was no difference between how Cautious and West Coast
8 distributions were paid out. There was only one occasion when West Coast investors could choose to take a
9 distribution or reinvest.

10 17. After creating West Coast, Young offered investors investment opportunities in both Cautious and West
11 Coast. In this offering, Young provided potential investors with the same information he had provided in the initial
12 offering of Cautious. To at least one potential investor, Young provided DPF performance results from April 2003 to
13 March 2004. The performance results showed a return of 36.05% per annum. Young told this same investor that he
14 estimated that investors would receive a return of 36% per annum in 2005. Young also told this investor that if the
15 investor required his money back, Young would have someone in the group buy him out within sixty days. Based in
16 part on this information, this investor invested \$50,000 in West Coast.

17 18. Between January 2005 and September 2005, West Coast wired \$6.15 million into DPF, of which, at least \$5.9
18 million was raised through the sale of West Coast membership units to at least ten investors, at least eight of whom
19 resided in Washington at the time of the investment. Investors wired funds into a West Coast bank account located in
20 Washington. Young created receipts for capital contribution and unit ownership to memorialize individual investor's
21 membership interest and investment amount. At least two investors understood that Young would earn a fee for
22 organizing the investments.

23 19. Young did not always give investors documentation memorializing the investment with West Coast. Many of
24 the transactions between Young and his investors were based on the trust developed through years of a tax consulting
25 relationship.

1 20. Some investors did not know whether they had invested in Cautious or West Coast. On at least two occasions,
2 investors thought they had invested in Cautious only to learn later that they had invested in West Coast.

3 21. On March 2, 2006, the SEC filed a complaint against Directors Financial Group, Ltd. (DFG), DPF's
4 investment adviser. The complaint alleged that DFG committed fraud when it invested DPF funds in a prime bank
5 scheme contrary to DFG's disclosed strategy. The promoters of the scheme represented to DFG that they could make
6 exorbitant guaranteed returns, with no risk to investor's principal, by complex trading in an exclusive market.
7 According to the complaint, DFG did not properly investigate (a) whether the scheme was a suitable investment, and
8 (b) the background of the scheme's promoters. The complaint also alleged that DFG lost complete control over DPF's
9 funds to the promoters of the scheme. After the arrest of three individuals associated with the prime bank scheme, the
10 SEC was able to recover all of DPF's funds.

11 22. On March 2, 2006, the SEC filed an agreed order distributing funds to DPF investors. The court ordered DFG
12 to return \$1,465,208.47 to Cautious which represented Cautious's principal investment of \$1.35 million plus
13 \$115,208.47 in profits DPF earned for Cautious from other investments prior to its investment in the prime bank
14 scheme. The court also ordered DFG to return West Coast's principal investment of approximately \$6.15 million.
15 West Coast was not awarded any profits because DPF did not earn West Coast any profits prior to its investment in
16 the prime bank scheme. On or about March 2, 2006, DFG mailed the court ordered distributions to Young. Young
17 failed to disclose to investors that the distribution received from DPF was a court ordered distribution. On at least one
18 occasion, Young told an investor that he decided to withdraw the Cautious/West Coast funds because it was not
19 generating high enough returns.

20 23. On or about March 2, 2006, Young began distributing Cautious and West Coast funds to investors and/or
21 rolling-over Cautious and West Coast funds into his latest pooled investment vehicle, Safeguard.

22 *Misrepresentations and Omissions in the Offer and Sale of Cautious and West Coast Units*

23 24. Young, Cautious, and West Coast failed to provide to investors material information regarding investments in
24 Cautious and West Coast including, but not limited to, a detailed description of the investment opportunities, the
25 identity and background of the person who would manage the DPF investment, a complete description of Young's

1 business background and experience, the general and specific risks involved in investing in a pooled investment
2 vehicle, a reasonable basis for the profit projections and limitations on the profit projections.

3 25. Young, Cautious, and West Coast failed to disclose to investors that Young filed for Chapter 7 bankruptcy in
4 1992, and that this bankruptcy was discharged in 1993.

5 26. Young, Cautious, and West Coast failed to disclose to investors that in 1996 the Washington State Board of
6 Accountancy suspended Young's certificate and biennial license as a Certified Public Accountant in the State of
7 Washington indefinitely for failing to respond to the Board's inquiries concerning a complaint against him.

8 27. Young, Cautious, and West Coast failed to disclose what investigation Young had undertaken to determine
9 (a) whether DPF was a suitable investment for Cautious/West Coast, (b) the background of the DPF manager, DFG,
10 or (c) whether DFG's trading program was a legitimate investment.

11 28. Young and Cautious failed to disclose to investors that Cautious entered into a contract with Be Well to
12 introduce Cautious to larger trading programs like DPF. Young and Cautious failed to disclose to investors that if
13 Cautious invested in a trading program introduced by Be Well, then Be Well would receive 15% of Cautious's total
14 earnings for the duration of the investment. Young and Cautious failed to disclose that he was a managing member of
15 Be Well and that his brother, Burl Young, was also a member.

16 29. Young and Cautious misrepresented to at least one Cautious investor that this investment could not fail.

17 *Safeguard*

18 30. No later than January 27, 2006, Young began offering Cautious and West Coast investors a new investment
19 opportunity. The details of this new investment opportunity were vague. In an email sent to Cautious/West Coast
20 investors, Young said that the new investment was through a man named Jeff Sykes (Sykes). He explained that Sykes
21 had managed a \$25 million fund for eight years and that his investment group had averaged a 3-4% return per month.
22 Young also told investors that he could arrange a guaranteed rate of 18-24% per annum return. In this same email,
23 Young told investors that Cautious and West Coast would receive distributions in February 2006 and that he needed
24 to know what to do with investor funds. Young provided investors with four options: (a) investors could elect to
25 reinvest all of their Cautious/West Coast distribution into this new investment opportunity, (b) investors could

1 withdraw a portion of their Cautious/West Coast capital and reinvest the rest in the new opportunity, (c) investors
2 could withdraw all of their Cautious/West Coast capital, or (d) investors could reinvest all of their Cautious/West
3 Coast capital and invest additional capital in the new opportunity.

4 31. On or about February 14, 2006, Young began soliciting investors to purchase Safeguard membership units.
5 The Safeguard membership offer was substantially similar to that of Cautious and West Coast. Each unit cost
6 \$100,000, though investors were permitted to invest lesser amounts. Young formed Safeguard to act as a feeder fund
7 for an investment with Gemstar, Sykes's private equity and venture capital fund. Gemstar required a minimum initial
8 investment of \$1 million. Safeguard provided a mechanism for investors, who could not afford to invest the \$1 million
9 individually, to pool their funds to qualify.

10 32. Between January 2006 and December 2006, Safeguard raised at least \$1.5 million from fifteen investors, at
11 least twelve of whom resided in Washington at the time of the investment. At least five Safeguard investors were
12 former Cautious/West Coast investors who rolled-over their investment into Safeguard. The roll-over funds accounted
13 for at least \$750,000 of Safeguard funds. In addition to the roll-over funds, Young raised at least \$750,000 in new
14 investments wired into Safeguard. At least five Safeguard investors had not previously invested in Cautious/West
15 Coast. Of these five new investors, Young acted as an accountant for at least three of them. Many of these new
16 investors were not accredited and had no experience with pooled investment vehicles. Young created receipts for
17 capital contribution and unit ownership to memorialize individual investors' membership interest and investment
18 amount.

19 33. Young provided at least one investor a Safeguard operating agreement. This operating agreement is
20 substantially similar to the one Young provided to Cautious investors. According to the operating agreement, the
21 purpose of Safeguard was to invest in trading programs through Be Well or a similar entity. Be Well members
22 included Young and his brother, Burl Young. This operating agreement granted management powers to Young
23 including the discretion to manage and control Safeguard. This operating agreement also provided for compensation
24 to Young in the form of a management fee equal to five percent of the trading profits earned by Safeguard.
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1 34. On one occasion, Young sold a Safeguard membership interest to tax consulting clients, who he had learned
2 recently came into \$100,000 from a home sale, by telling them he had a “sure thing” and that as a favor to them he
3 would “let them in on it.” Young told these clients that his investment group has been successful for several years.
4 Young did not tell his clients the precise name of the investment, but Young did tell them that the investment involved
5 day trading and/or a hedge fund. These clients wired funds to Safeguard, but Young never invested these funds in a
6 hedge fund, but rather, Young transferred the funds to Amigo, his vineyard. Young failed to disclose to these clients
7 that he transferred their funds into Amigo.

8 35. On another occasion, Young sold \$200,000 worth of Safeguard membership units to a seventy-six year old
9 tax consulting client and retired naval officer, which accounted for about 40% of the retired naval officer’s net worth.
10 This risk-averse investor had limited experience with investing and chose to invest with Young partly because Young
11 guaranteed that his principal would not be depleted.

12 36. Depending on the investor, Young either had investors wire money into the Safeguard bank account located
13 in Washington or, because Young controlled the Cautious and West Coast bank accounts, Young transferred investor
14 funds from Cautious and West Coast to Safeguard. On at least one occasion, Young transferred the funds without the
15 investor’s knowledge. Between March 2006 and September 2006, Safeguard invested \$2,395,000 in Gemstar, of
16 which, at least \$1.5 million was derived from investors and \$250,000 was purportedly derived from Amigo.

17 37. Young did not provide at least three Safeguard investors with an operating agreement for Safeguard prior to
18 their investment. Young did not provide investors with a prospectus, projections, or other offering materials for
19 Safeguard or Gemstar. Young told some investors that he could arrange a guaranteed rate of 18-24% return. Young
20 guaranteed another investor a set rate of return of 30-40% per annum.

21 38. Between July 2006 and July 2008, Gemstar distributed \$5,168,551 to Safeguard. These payments generated a
22 total profit of \$2,773,551 for Safeguard. Between approximately June 2006 and November 2008, Young transferred
23 all \$5,168,551 Safeguard received from Gemstar into Amigo, his family-owned vineyard. Between February 2008 and
24 April 2008, Amigo invested \$1.5 million of the Safeguard funds with iVest International Holdings, Inc. (iVest),
25 another trading program. Young spent the remaining Safeguard funds developing the vineyard (land, posts, wire, drip

1 systems, plants, etc.). Young failed to disclose to investors that he was transferring investor funds from Safeguard into
2 Amigo. Young failed to disclose that he was using Safeguard funds to develop his vineyard.

3 39. On May 11, 2009, the SEC filed a complaint against Gemstar and Sykes alleging fraud. The same day the
4 SEC filed its complaint, a court appointed a receiver to recover funds on behalf of defrauded Gemstar investors. The
5 receiver attempted to recover, from Young, the \$2,773,551 in excess profits distributed by Gemstar to Safeguard. The
6 receiver did not recover any excess profits from Young, Safeguard, or Amigo. On July 3, 2012, the SEC filed a
7 motion for final distribution to Gemstar investors. According to this motion, the receiver concluded that “Young and
8 his entities were impecunious and that further collection efforts against him would not be worthwhile.” Young failed
9 to disclose to investors that the SEC had filed a complaint against Gemstar for fraud. Young failed to disclose to
10 investors that a court-appointed receiver attempted, and ultimately failed, to collect the profit-distributions Safeguard
11 received from Gemstar.

12 40. On August 26, 2009, the SEC filed a complaint against iVest alleging that it was a prime bank scheme set up
13 to defraud investors. The SEC contacted Young regarding a return of some of his principal investment, but Young
14 declined to work with them.

15 41. From 2008 to the present day, investors have been asking Young for distributions of their capital investments
16 and their profits. Young has told investors that their money is frozen in an SEC investigation and that he has lawyers
17 working on a distribution. Young continues to misrepresent to investors that a distribution is coming soon.

18 *Misrepresentations and Omissions in the Offer and Sale of Safeguard Units*

19 42. Young and Safeguard failed to provide to investors material information regarding investments in Safeguard
20 including, but not limited to, a detailed description of the investment opportunities, the background and, in some
21 cases, the identity of the person who would manage the Gemstar investment, a complete description of Young’s
22 business background and experience, and the general and specific risks involved in investing in a pooled investment
23 vehicle.

24 43. Young and Safeguard failed to disclose to investors that Young filed for Chapter 7 bankruptcy in 1992, and
25 that this bankruptcy was discharged in 1993.

1 44. Young and Safeguard failed to disclose to investors that in 1996 the Washington State Board of Accountancy
2 suspended Young's certificate and biennial license as a Certified Public Accountant in the State of Washington
3 indefinitely for failing to respond to the Board's inquiries concerning a complaint against him.

4 45. Young and Safeguard failed to disclose to at least one investor that Safeguard was a feeder fund, similar to
5 Cautious and West Coast, designed to invest in Gemstar. This investor believed that Safeguard was the name of a
6 hedge fund. Young and Safeguard failed to disclose to this investor that the investor's money was to be invested in
7 Gemstar.

8 46. Young and Safeguard failed to disclose to at least seven investors that his last two investment groups,
9 Cautious and West Coast, had previously invested pooled funds in DPF, a hedge fund that was ultimately investigated
10 by the SEC for fraud. Young and Safeguard failed to disclose that the SEC filed a complaint against DFG alleging
11 that DFG invested DPF funds into a prime bank scheme. Young and Safeguard misrepresented to at least one investor
12 that Cautious and West Coast were successful investments when, in actuality, the distribution Cautious and West
13 Coast received from DPF was a court-ordered distribution.

14 47. Young and Safeguard failed to disclose to investors what investigation Young had undertaken to determine
15 (a) whether Gemstar was a suitable investment for Safeguard, (b) the background of the Gemstar manager, Sykes, or
16 (c) whether Sykes's trading program was a legitimate investment.

17 48. Young and Safeguard failed to disclose to investors that the same individual who referred Young to the
18 promoter of the fraudulent DPF investment also referred Young to the promoter of the Gemstar investment.

19 49. Young and Safeguard misrepresented to at least one investor that the investor's funds would be invested in a
20 larger trading program when, in actuality, it went directly to Young's vineyard.

21 50. Young and Safeguard represented to at least one investor that Safeguard was a "sure thing" and guaranteed a
22 rate of return of 30-40% per annum. To another investor, Young and Safeguard represented an opportunity for a
23 guaranteed rate of 18-24% return. Young and Safeguard failed to provide investors with a reasonable basis for the
24 profit projections and limitations on the profit projections.
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EI

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51. In or about November 2006, Young began soliciting investors to purchase EI membership units. The EI membership offer was substantially similar to that of Cautious, West Coast, and Safeguard. Like Cautious, West Coast, and Safeguard, Young managed EI funds. Each EI unit cost \$100,000, though every investor purchased less than one unit. Young mostly solicited EI investments from Cautious, West Coast, and Safeguard investors including at least three of his tax consulting clients. Young formed EI to act as a feeder fund for an investment with Winsome Investment Trust (Winsome). Winsome managed a commodities pool which would participate in a commodity futures pool operated by U.S. Ventures, LC (USV). Winsome required a minimum initial investment of \$100,000. EI provided a mechanism for investors, who could not afford to invest the \$100,000 individually, to pool their funds to qualify.

52. Young did not explain to investors that EI entered an agreement to pay an ongoing fee to a third-party for introducing EI to the Winsome investment. EI and this third-party entered into an agreement on or about November 14, 2006. Under this agreement, the third-party agreed to introduce EI to private placement opportunities in amounts not less than \$100,000. In exchange, the third-party would receive 5% of the net profits that EI earned through any transactions EI entered into through the third-party's introductions for the duration of the private placement.

53. At least one investor in EI did not receive or sign an operating agreement for EI. Young told investors that EI would invest in a hedge fund, but did not identify the name of the investment. Young did not provide investors with a prospectus, projections, or other offering materials for EI or Winsome. To at least one investor, Young described the investment as a "sure thing" with a guaranteed rate of return of 30-40% per annum.

54. Between November 2006 and March 2007, EI wired \$175,000 into Winsome, of which, at least \$145,000 was raised through the sale of EI membership units to 10 investors, at least six of whom resided in Washington at the time of the investment. Six of the EI investors were also members of Safeguard. Investors wired funds into an EI bank account located in Washington.

1 55. On January 24, 2011, the CFTC filed a complaint against Winsome and USV alleging fraud. The same day
2 the CFTC filed its complaint, a court appointed a receiver to recover funds on behalf of defrauded investors. Young
3 failed to disclose to investors that the CFTC had filed a complaint against Winsome and USV for fraud.

4 56. The receiver does not believe EI received any distributions from Winsome or USV, though it is possible
5 because Winsome issued approximately \$1,000,000 in cashier's checks, the recipients of which are unknown.

6 57. At least one EI/Safeguard investor asked Young for distributions of the investor's capital investments and
7 profits. Young gave this investor several excuses as to why he could not release the funds. On August 4, 2010, this
8 investor sued Young, Safeguard, and EI for return of the investor's funds. The complaint alleged that Young
9 committed fraud, negligent misrepresentation, breach of fiduciary duties, and other violations of Washington law.
10 This complaint was settled out of court.

11 *Misrepresentations and Omissions in the Offer and Sale of EI Units*

12 58. Young and EI failed to provide to investors material information regarding investments in EI including, but
13 not limited to, a detailed description of the investment opportunities, the identity and background of the persons who
14 would manage the Winsome investment, a complete description of Young's business background and experience, and
15 the general and specific risks involved in investing in a pooled investment vehicle.

16 59. Young and EI failed to disclose to investors that Young filed for Chapter 7 bankruptcy in 1992, and that this
17 bankruptcy was discharged in 1993.

18 60. Young and EI failed to disclose to investors that in 1996 the Washington State Board of Accountancy
19 suspended Young's certificate and biennial license as a Certified Public Accountant in the State of Washington
20 indefinitely for failing to respond to the Board's inquiries concerning a complaint against him.

21 61. Young and EI failed to disclose what investigation he had undertaken to determine (a) whether Winsome was
22 a suitable investment for EI, (b) the background of the Winsome manager, or (c) whether the Winsome trading
23 program was a legitimate investment.

24 62. Young and EI failed to disclose to investors that EI entered into a contract with a third-party to introduce EI to
25 larger trading programs like Winsome. Young and EI failed to disclose to prospective investors that if EI invested in a

1 trading program introduced by this third-party, the third-party would receive 5% of EI's total earnings for the duration
2 of the investment.

3 63. Young and EI failed to disclose to at least three EI investors that two of his prior investment groups, Cautious
4 and West Coast, had previously invested pooled funds in DPF, a hedge fund that was ultimately investigated by the
5 SEC for fraud. Young and EI failed to disclose that the SEC filed a complaint against DFG alleging that DFG
6 invested DPF funds into a prime bank scheme.

7 64. Young and EI misrepresented to at least one EI/Safeguard investor that Young would deliver the investor's
8 principal and profits within two days of the investor's request. Young did not return this investor's principal and
9 profits within two day of the investor's request. In fact, Young did not provide the investor with any funds until after
10 the investor sued Young.

11 65. Young and EI represented to at least one investor a guaranteed rate of return of 30-40% per annum without
12 providing a reasonable basis for the profit projections and limitations on the profit projections.

13 Registration Status

14 1. Cautious, LLC is not currently registered to sell its securities in the state of Washington and has not
15 previously been so registered.

16 2. West Coast Financial, LLC is not currently registered to sell its securities in the state of Washington and has
17 not previously been so registered.

18 3. Safeguard Capital, LLC is not currently registered to sell its securities in the state of Washington and has not
19 previously been so registered.

20 4. Equity Interests, LLC is not currently registered to sell its securities in the state of Washington and has not
21 previously been so registered.

22 5. Clarence C. Young Jr. is not currently registered as a securities broker-dealer, salesperson, investment
23 adviser, or investment adviser representative in the state of Washington and has not previously been so registered.

24 6. Be Well Today, LLC is not currently registered as a securities broker-dealer in the state of Washington and
25 has not previously been so registered.

CONCLUSIONS OF LAW

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

1. The offer or sale of LLC membership units, as described above, constitute the offer and/or sale of a security as defined in RCW 21.20.005(14) and (17).

2. Clarence C. Young Jr.; Cautious, LLC; West Coast Financial, LLC; Safeguard Capital, LLC; and Equity Interests, LLC have violated RCW 21.20.140, the securities registration section of the Securities Act of Washington, because no registration for such an offer and/or sale is on file with the Securities Administrator, state of Washington.

3. Clarence C. Young Jr. violated RCW 21.20.040 by offering or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

4. The offer or sale of said securities violated RCW 21.20.010, as described above, because Respondents, Clarence C. Young Jr.; Cautious, LLC; West Coast Financial, LLC; Safeguard Capital, LLC; and Equity Interests, LLC, made untrue statements of a material fact or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

5. Clarence C. Young Jr. acted as an investment adviser as defined in RCW 21.20.005(8) by maintaining the pooled investment vehicles of Cautious, LLC; West Coast Financial, LLC; Safeguard Capital, LLC; and Equity Interests, LLC on behalf of others for compensation.

6. Clarence C. Young Jr. violated RCW 21.20.040 by acting as an investment adviser while not so registered in the state of Washington.

7. Clarence C. Young Jr. violated RCW 21.20.020, as described above, by engaging in acts, practices, or courses of business which operated as a fraud or deceit upon those that he advised, for consideration, as to the value of securities, their purchase, or sale.

8. Be Well Today, LLC, as described above, acted as a broker-dealer in the state of Washington as defined by RCW 21.20.005(1), by engaging in the business of effecting transactions in securities by introducing Cautious, LLC to private placement opportunities and presenting Cautious, LLC's application for investment to the private placement transaction principals.

1 9. Be Well Today, LLC violated RCW 21.20.040, as described above, by acting as a broker-dealer while not so
2 registered in the state of Washington.

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

4 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
5 the Securities Administrator intends to order that Respondent, Clarence C. Young Jr., shall cease and desist from
6 violations of RCW 21.20.010, RCW 21.20.020, RCW 21.20.040, and RCW 21.20.140.

7 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
8 the Securities Administrator intends to order that Respondents, Cautious, LLC; West Coast Financial, LLC; Safeguard
9 Capital, LLC; and Equity Interests, LLC, each shall cease and desist from violations of RCW 21.20.010, and RCW
10 21.20.140.

11 Pursuant to RCW 21.20.390(1) and based upon the above Tentative Findings of Fact and Conclusions of Law,
12 the Securities Administrator intends to order that Respondent, Be Well Today, LLC, shall cease and desist from
13 violations of RCW 21.20.040.

14 **NOTICE OF INTENT TO IMPOSE A FINE**

15 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions of Law,
16 the Securities Administrator intends to order that Respondents, Clarence C. Young Jr.; Cautious, LLC; West Coast
17 Financial, LLC; Safeguard Capital, LLC; Equity Interests, LLC; and Be Well Today, LLC, shall be jointly and
18 severally liable for and shall pay a fine of not less than \$60,000.

19 **NOTICE OF INTENT TO CHARGE COSTS**

20 Pursuant to RCW 21.20.390, and based upon the Tentative Findings of Fact and Conclusions of Law, the
21 Securities Administrator intends to order that Respondents, Clarence C. Young Jr.; Cautious, LLC; West Coast
22 Financial, LLC; Safeguard Capital, LLC; Equity Interests, LLC; and Be Well Today, LLC, shall be jointly and
23 severally liable for and shall pay investigative costs of not less than \$20,000.

AUTHORITY AND PROCEDURE

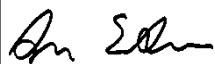
This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is subject to the provisions of Chapter 34.05 RCW. The respondents, Clarence C. Young Jr.; Cautious, LLC; West Coast Financial, LLC; Safeguard Capital, LLC; Equity Interests, LLC; and Be Well Today, LLC, may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Order. If a respondent does not make a hearing request in the time allowed, the Securities Administrator intends to adopt the above Tentative Findings of Fact and Conclusions of Law as final and to enter a permanent order to cease and desist as to that respondent, to impose any fines sought against that respondent, and to charge any costs sought against that respondent.

Signed and Entered this 22nd day of January 2013.



William M. Beatty
Securities Administrator

Approved by:



Suzanne Sarason
Chief of Enforcement

Presented by:



Brian J. Guerard
Enforcement Attorney

Reviewed by:



Jack McClellan
Financial Legal Examiner Supervisor