

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

IN THE MATTER OF DETERMINING) Order No.: S-12-1124-13-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,
Richard Michael Lininger; NACAD, LLC;) TO IMPOSE FINES, AND TO CHARGE COSTS
Mexcanusa Management Services, LTD; and)
Mexcanusa Development Corporation, S.A. de)
C.V.,)

Respondents.

On July 30, 2013, the Securities Administrator of the state of Washington issued order number S-12-1124-13-SC01, a Statement of Charges and Notice of Intent to Enter Order to Cease and Desist, to Impose Fines, and to Charge Costs (Statement of Charges) against Richard Michael Lininger, NACAD, LLC, Mexcanusa Management Services, LTD, and Mexcanusa Development Corporation, S.A. de C.V.

The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing (Notice of Opportunity for Hearing) and an Application for Adjudicative Hearing (Application for Hearing) were served on the Respondents on September 11, 2013.

The Notice of Opportunity for Hearing advised the Respondents that a written application for an administrative hearing on order number S-12-1124-13-SC01 must be received within twenty days from the date of receipt of the notice. The Respondents, however, failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided, or otherwise. Instead, after the twenty day deadline, Respondent Richard Lininger submitted a written statement for consideration by the Securities Administrator.

After considering the written statement, the Securities Administrator will adopt as final the following Findings of Fact and Conclusions of Law as set forth in the Statement of Charges and enter a final order against Respondents Richard Michael Lininger, NACAD, LLC, Mexcanusa Management Services, LTD, and Mexcanusa Development Corporation, S.A. de C.V. to cease and desist from violations of the Securities Act, to impose fines, and to charge costs.

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

1
2 **FINDINGS OF FACT**

3 Respondents

- 4 1. Respondent NACAD, LLC (NACAD) is a Nevada limited liability company established on July 10, 2007, for
5 the purpose of developing a recreational vehicle (RV) park in El Golfo, Mexico. NACAD was dissolved on July 31,
6 2012.
- 7 2. Respondent Mexcanusa Management Services, LTD (Mexcanusa Management Services) is a Nevada limited
8 liability company established on August 27, 2010, for the purpose of developing an RV park in El Golfo, Mexico.
- 9 3. Respondent Mexcanusa Development Corporation, S.A. de C.V. (Mexcanusa Development Corporation) is a
10 Mexican corporation established around 2010 for the purpose of developing an RV park in El Golfo, Mexico.
- 11 4. Respondent Richard Michael Lininger (Richard Lininger) acted as the manager and sole principal of NACAD
12 for the duration of the company's existence. Richard Lininger also acted as the manager and sole principal of
13 Mexcanusa Management Services and Mexcanusa Development Corporation from the inception of each company until
14 approximately June 28, 2012.

15 Nature of the Offering

- 16 5. From Spring 2007 to Fall 2007, Richard Lininger solicited investments in a company named NACAD, in an
17 effort to build an RV park in El Golfo, Mexico. Specifically, Richard Lininger solicited minimum investments of
18 \$30,000 in NACAD. For \$18,000 of the amount, NACAD would provide the investor with the right to use a personal
19 RV lot in the future park, and for \$12,000 of the amount, NACAD would issue the investor a share in the limited
20 liability company. Richard Lininger also offered investors additional shares of NACAD for \$12,000 per-share.
- 21 6. During 2007, Richard Lininger solicited investments in NACAD by speaking to a group of at least 25 people
22 in El Golfo, Mexico, to a group of at least 15 people in Randle, Washington, and to other individual prospective
23 investors in person. Richard Lininger emailed prospective investors with instructions on how to invest in NACAD, but
24 Richard Lininger provided no other written material to solicit investments in NACAD.
- 25 7. In his communications with investors, Richard Lininger represented that NACAD would purchase a 500 acre
parcel of land in El Golfo, Mexico, to develop an RV Park on. NACAD needed, Richard Lininger stated,
approximately \$500,000 to effectuate the purchase of the property and to develop the property. Richard Lininger
claimed that over a period of two years, NACAD would deploy investor funds to develop the RV park, which included
marking the land, clearing the land, leveling the land, and subdividing the land. Richard Lininger also told investors
that NACAD would use investor funds to build a clubhouse, a golf course, a swimming pool, and a restaurant on the
property, as well as purchase generators for the property and dig wells on the property.

1 8. Richard Lininger represented that investors in NACAD would make money through the company's sale and
2 rental of lots in the future RV park. Additionally, Richard Lininger stated that NACAD would collect revenue from the
3 golf course, the clubhouse, the swimming pool, and the restaurant on the property. NACAD, Richard Lininger claimed,
4 would then distribute these profits to investors in proportion to the equity percentage that investors owned in the
5 company. Richard Lininger told one investor that he could expect to double his investment and another investor that
6 she could expect to triple her investment. Richard Lininger further represented to one investor that she could expect to
7 earn \$25,000 per-share by investing in NACAD and to another investor that he could expect to earn \$76,000 per-year
8 for a number of years. Moreover, Richard Lininger told an investing couple that they could possibly earn between
9 \$400,000 to \$500,000 per-share, and he told another investor he could earn \$500,000 per-share over a 15 year period.

10 9. Richard Lininger also told investors that the Hilton Hotels and Resorts (Hilton) owned property adjacent to the
11 500 acre property that Richard Lininger sought to develop. According to Richard Lininger, Hilton planned to develop a
12 large resort on this adjacent property and establish a local sewer and water line. Additionally, Richard Lininger stated
13 that the Mexican government had planned to build two large roads near and on the 500 acre lot, thereby allowing better
14 access to the future RV park. Richard Lininger stated that these two developments would allow NACAD to sell lots on
15 the RV park for a higher amount, thereby providing investors with a higher return on their investment.

16 10. Richard Lininger further represented to many investors that he had professional experience in buying,
17 developing, and selling land in California and Mexico, and Richard Lininger also told some investors that he and his
18 wife, Catherine Lininger, would personally invest their own money in NACAD.

19 11. By December 31, 2008, Richard Lininger raised approximately \$780,000 from at least 21 investors, 6 of whom
20 are Washington residents. At least two investors deposited their checks to NACAD at a Washington bank. Richard
21 Lininger indicated to investors that neither he nor his wife contributed any capital to NACAD.

22 12. Investors, however, never received shares in NACAD because in the fall of 2009, Richard Lininger told
23 investors that NACAD had to be dissolved according to Mexican law. Richard Lininger then formed Mexcanusa
24 Management Services and Mexcanusa Development Corporation, telling investors that Mexcanusa Development
25 Corporation would be the entity through which he would purchase the land for the RV park. Richard Lininger did not
provide investors with any other information about Mexcanusa Management Services or Mexcanusa Development
Corporation.

13. Richard Lininger delivered to some investors shares in Mexcanusa Development Corporation, he delivered to
some investors shares in both Mexcanusa Development Corporation and Mexcanusa Management Services, and some
investors never received shares in any company.

14. In February 2011, through Mexcanusa Development Corporation, Richard Lininger purchased only 54 acres of
land in El Golfo, Mexico, for \$146,000. After purchasing the land, Richard Lininger drew some designs for the future

RV park, but he made no other material steps toward developing an RV park or clubhouse, a swimming pool, or a restaurant on the property.

15. By the end of 2011, Richard Lininger represented to investors that he had paid himself \$342,352.00 from the investor proceeds as a salary, and he claimed to have spent approximately \$50,000 of investor proceeds on miscellaneous costs related to the project. Richard Lininger ceased all communication with investors in March 2012, and he left investors with approximately \$84,000 in an American bank account. To date, investors have received no return on their investment, and approximately \$155,000 of the investors' funds are unaccounted for.

Misrepresentations and Omissions

16. Richard Lininger represented that he had experience in buying, developing, and selling land in California and Mexico, but he failed to disclose the specifics of this experience. Richard Lininger further failed to disclose the basis upon which he claimed that he had the ability to purchase a 500 acre property and to develop an RV park, a clubhouse, a golf course, a swimming pool, and a restaurant on the property.

17. Richard Lininger failed to disclose the basis and assumptions underlying the financial claims that he provided to investors, and he failed to disclose the basis upon which he claimed that NACAD required \$500,000 to develop an RV park.

18. Richard Lininger falsely represented that the Hilton owned and planned to develop a nearby resort, as a separate group of investors unaffiliated with Hilton own nearby land. Additionally, Richard Lininger failed to disclose the dates by which the Mexican government had planned to build roads on and near the proposed RV park.

19. Richard Lininger falsely represented to at least one investor that he and his wife would invest money their own money in NACAD.

20. Richard Lininger failed to disclose the rate at which he would be paid for his services, which ultimately totaled \$342,352.00.

21. Richard Lininger failed to disclose at least 12 investors any general or specific risks associated with investing in land in Mexico.

Registration Status

22. Respondents NACAD, Mexcanusa Management Services, and Mexcanusa Development Corporation are not currently registered to sell securities in the state of Washington and have not previously been registered to do so.

23. Respondent Richard Lininger is not currently registered as a securities salesperson in the state of Washington and has not been previously registered do so.

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

CONCLUSIONS OF LAW

1. The offer and sale of membership interests in NACAD, Mexcanusa Management Services, and Mexcanusa Development Corporation as described above constitute the offer and sale of a security as defined in RCW 21.20.005(14) and (17).

2. The offer and sale of these securities is in violation of RCW 21.20.140 because no registration for such an offer and sale is on file with the Securities Administrator, state of Washington.

3. Richard Lininger has violated RCW 21.20.040 by offering and selling securities while not registered as a securities salesperson in the state of Washington.

4. The offer and sale of these securities were in violation of RCW 21.20.010 because the Respondents made untrue statements of material fact or omitted to state material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading.

FINAL ORDER

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

IT IS HEREBY ORDERED that Respondents NACAD, Mexcanusa Management Services, Mexcanusa Development Corporation, and Richard Lininger each shall cease and desist from offering and selling securities in violation of RCW 21.20.140, the securities registration section of the Securities Act of Washington.

IT IS HEREBY ORDERED that Respondent Richard Lininger shall cease and desist from offering and selling securities in violation of RCW 21.20.040, the section of the Securities Act of Washington requiring registration for securities salespersons.

IT IS FURTHER ORDERED that Respondents NACAD, Mexcanusa Management Services, Mexcanusa Development Corporation, and Richard Lininger each shall cease and desist from violating RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that Respondent Richard Lininger shall be liable for and shall pay a fine of \$13,500.

IT IS FURTHER ORDERED that Respondent Richard Lininger shall be liable for and shall pay investigative costs of \$1,500.

AUTHORITY AND PROCEDURE

This FINAL ORDER is entered pursuant to the provisions of RCW 21.20.110 and 21.20.390, and is subject to the provisions of RCW 21.20.120 and Chapter 34.05 RCW. Respondents have the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for Judicial

1 Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this Order may
2 be filed in Superior Court. If so filed, the clerk shall treat the Order in the same manner as a Superior Court judgment
3 as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

4 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

5 SIGNED and ENTERED this 14th day of October 2013.

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10 William M. Beatty
Securities Administrator

11 Approved by:

11 Presented by:

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15 Suzanne Sarason
Chief of Enforcement

15 Eric Palosaari
Financial Legal Examiner

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17 Reviewed by:

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19 

20
21 Jack McClellan
Financial Legal Examiner Supervisor