

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

4 IN THE MATTER OF DETERMINING
5 whether there has been a violation
6 of the Securities Act of Washington by:

7 Regal Energy, L.L.C.;
8 Regal Blessing #1 Joint Venture;
9 Regal Boonsville #2 Joint Venture;
10 Regal Waggoner #1 Joint Venture;
11 Regal Waggoner #2 Joint Venture;
12 Regal Cosper #1 Joint Venture;
13 Regal Pierce #1 Joint Venture;
14 Scott Bradley Johnson,

15 Respondents.

Order Number S-14-1508-15-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ISSUE AN
ORDER TO CEASE AND DESIST,
IMPOSE FINES, AND CHARGE
COSTS

16 THE STATE OF WASHINGTON TO:

17 Regal Energy, L.L.C.
18 Regal Blessing #1 Joint Venture
19 Regal Boonsville #2 Joint Venture
20 Regal Waggoner #1 Joint Venture
21 Regal Waggoner #2 Joint Venture
22 Regal Cosper #1 Joint Venture
23 Regal Pierce #1 Joint Venture
24 Scott Bradley Johnson (CRD No. 5653170)

25 **STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents Regal Energy, L.L.C., Regal Blessing #1 Joint Venture, Regal Boonsville #2 Joint Venture, Regal Waggoner #1 Joint Venture, Regal Waggoner #2 Joint Venture, Regal Cosper #1 Joint Venture, Regal Pierce #1 Joint Venture, and Scott Bradley Johnson have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator against each to cease and desist from such violations pursuant to RCW 21.20.390, to

1 impose fines pursuant to RCW 21.20.395, and to recover costs pursuant to RCW 21.20.390. The
2 Securities Administrator finds as follows:

3 **TENTATIVE FINDINGS OF FACT**

4 **Respondents**

5 1. Regal Energy, L.L.C. (“Regal Energy”) is a Texas limited liability company formed in
6 March 2007, with its principal place of business in Plano, Texas. Regal Energy is in the business of oil
7 and gas exploration and development and is the “Managing Venturer” for oil and gas ventures.

8 2. Regal Blessing #1 Joint Venture (“Regal Blessing #1”) is a general partnership formed in
9 approximately 2009 for the purpose of drilling and owning two wells in Texas. Regal Energy is the
10 Managing Venturer for the Regal Blessing #1.

11 3. Regal Boonsville #2 Joint Venture (“Regal Boonsville #2”) is a general partnership
12 formed in approximately 2010 for the purpose of drilling and owning two wells in Texas. Regal Energy
13 is the Managing Venturer for the Regal Boonsville #2.

14 4. Regal Waggoner #1 Joint Venture (“Regal Waggoner #1”) is a general partnership formed
15 in approximately 2010 for the purpose of drilling and owning one well in Texas. Regal Energy is the
16 Managing Venturer for the Regal Waggoner #1.

17 5. Regal Waggoner #2 Joint Venture (“Regal Waggoner #2”) is a general partnership formed
18 in approximately 2011 for the purpose of drilling and owning one well in Texas. Regal Energy is the
19 Managing Venturer for the Regal Waggoner #2.

20 6. Regal Cosper #1 Joint Venture (“Regal Cosper #1”) is a general partnership formed in
21 approximately 2011 for the purpose of drilling and owning one well in Texas. Regal Energy is the
22 Managing Venturer for the Regal Cosper #1.

1 7. Regal Pierce #1 Joint Venture (“Regal Pierce #1”) is a general partnership formed in
2 approximately 2012 for the purpose of drilling and owning one well in Texas. Regal Energy is the
3 Managing Venturer for the Regal Pierce #1.

4 8. Scott Bradley Johnson (“Johnson”) (CRD No. 5653170) is a resident of Allen, Texas.
5 Between January 2010 and January 2011 and between April 2013 and November 2013, Johnson was
6 registered with the Securities Division as a securities salesperson. Between March 2009 and January
7 2011, Johnson was a registered representative at Red River Securities, LLC. Johnson is not currently
8 registered with the Securities Division in any capacity.

9 **Other Related Parties**

10 9. Brian Keith Hardwick (“Hardwick”) (CRD No. 4522460) is a resident of Plano, Texas.
11 Between January 2003 and March 2007 and between March 2010 and February 2014, Hardwick was
12 registered with the Securities Division as a securities salesperson. Between March 2009 and February
13 2014, Hardwick was a registered representative at Red River Securities, LLC. Hardwick was a co-
14 founder of Regal Energy, and the Chief Executive Officer. Hardwick was also the Chief Executive
15 Officer of Red River Securities, LLC. Hardwick is not currently registered with the Securities Division
16 in any capacity.

17 10. Red River Securities, LLC (“Red River Securities”) (CRD No. 149860) is a Texas limited
18 liability company formed in January 2009. Red River Securities was registered as a broker-dealer with
19 the Securities Division between approximately January 2010 and March 2014. In March 2014, Red
20 River Securities filed a Form BDW, requesting withdrawal from all broker-dealer registrations. Red
21 River Securities was the distributor for many of the Regal Energy oil and gas investments.

1 **Prior Enforcement Actions**

2 11. On February 10, 2009, the State of New Mexico, Securities Division, entered into a
3 Consent Agreement with the Regal Bennet #1 Joint Venture. The State of New Mexico alleged that an
4 unregistered joint venture unit in the Regal Bennet #1 Joint Venture was sold to a New Mexico resident.
5 The Consent Agreement was signed by Brian Hardwick as the CEO of Regal Energy.

6 12. On September 28, 2009, the State of Colorado, Securities Division, issued a Verified
7 Petition for Order to Show Cause against Regal Energy, LLC, John Michael Peddecord II, and Brian
8 Hardwick. The State of Colorado alleged that the respondents in that matter offered and/or sold
9 unregistered joint venture units in the Regal Blessing #1 and employed an unlicensed sales
10 representative. On October 19, 2009, the respondents entered into a Stipulation for Consent Cease and
11 Desist Order.

12 13. On December 2, 2011, FINRA entered into a Letter of Acceptance, Waiver and Consent
13 with Red River Securities. FINRA alleged that from January 4, 2010 through May 27, 2010, Red River
14 Securities failed to disclose in the Regal Boonsville #2 offering materials the prior 2009 Stipulation for
15 Consent Cease and Desist Order. FINRA imposed a \$5,000 fine on Red River Securities.

16 14. On July 27, 2015, FINRA issued a Complaint against Red River Securities and Brian
17 Hardwick. FINRA alleged in the Complaint that when offering investments in Regal Boonsville #2,
18 Regal Waggoner #1, Regal Waggoner #2, Regal Cosper #1, and Regal Pierce #1, Red River Securities
19 and Brian Hardwick made misrepresentations and omissions of material facts to investors, failed to
20 gather sufficient information to determine if the securities were suitable for customers, and failed to
21 implement and enforce adequate supervisory systems and written supervisory procedures for the offer
22 and sale of these investments. FINRA further alleged that Red River Securities and Brian Hardwick
23 offered and sold unregistered securities in the Regal Boonsville #2 and Regal Cosper #1 offerings.

1 **Background and Overview**

2 15. Between approximately August 2009 and September 2013, the Respondents offered and
3 sold oil and gas investments, in the form of joint venture interests, to Washington residents. Five
4 Washington residents invested a total of approximately \$661,978 in the following six joint ventures:
5 Regal Blessing #1, Regal Boonsville #2, Regal Waggoner #1, Regal Waggoner #2, Regal Cosper #1, and
6 Regal Pierce #1. The investments were for oil and gas drilling projects located primarily in the Barnett
7 Shale or Rodessa Sand areas of Texas. Red River Securities, an affiliate of Regal Energy, was the
8 distributor for at least five of the offerings. At least two Washington residents were cold-called by
9 representatives from Red River Securities, including Johnson. The offerings were sold only to accredited
10 investors. To date, some of the investors have lost the principal of their investment as many of the wells
11 have been, or are going to be, plugged and abandoned.

12 16. Regal Energy was the “Managing Venturer” of each joint venture, and had authority to
13 manage the daily operations of the joint ventures. Investors made an initial capital contribution, which
14 ranged from approximately \$58,427 to \$120,403 per unit, depending on the offering. Once fully
15 capitalized, each joint venture entered into a Turnkey Drilling Contract with Regal Energy for initial
16 drilling and testing of the wells.

17 17. If the initial drilling and testing was deemed successful, Regal Energy, as the Managing
18 Venturer, had discretion to complete the wells. If Regal Energy decided to complete the wells, investors
19 were required to make additional capital contributions that ranged from approximately \$48,164 to
20 \$87,641 per unit. Regal Energy would then undertake the completion of the wells, pursuant to a Turnkey
21 Completion Contract with the joint venture. If an investor did not pay the additional capital contribution
22 for completion, their interest in the joint venture would be forfeited.

1 18. The table below details the approximate time period during which each joint venture was
2 offered, the number of units for sale in each offering, and the total offering amount:

3 Joint Venture	Capitalization Period (approx.)	Total Number of Units	Total Offering Amount (approx.)
4 Regal Blessing #1	January 2009 – September 2009	60	\$9.99 million
5 Regal Boonsville #2	January 2010 – June 2011	72	\$9.54 million
6 Regal Waggoner #1	July 2010 – December 2010	15	\$2.52 million
7 Regal Waggoner #2	March 2011 – December 2011	15	\$2.52 million
8 Regal Cosper #1	September 2011 – December 2012	36	\$5.26 million
9 Regal Pierce #1	April 2012 – April 2013	24	\$4.05 million

10 19. For most of the joint ventures, investors were responsible for paying all of the costs to
11 acquire, drill, test, and complete the wells (Regal Blessing #1 investors were responsible for paying
12 approximately 90%, and Regal Pierce #1 investors were responsible for paying approximately 93.75% of
13 the costs). After completion of the wells, investors were entitled to a percentage of the working interest
14 (a share of the ongoing expenses under the oil or gas lease) which ranged from 70% to 85%. If the well
15 produced oil and/or gas, investors were entitled to a share in the proceeds, ranging from 52.50% to
16 63.75%.

17 20. Unlike investors, Regal Energy bore little risk of loss in the initial and completion phases
18 of the oil and gas joint ventures. Regal Energy received a management fee regardless if the wells were
19 profitable. If the wells were profitable, Regal Energy was entitled to a share of the proceeds along with
20 the investors.

21 **Investments by Washington Residents**

22 21. Between approximately August 2009 and September 2013, Washington residents invested
23 a total of \$661,978 in six Regal Energy oil and gas offerings. Most of the Washington residents
24 purchased partial unit interests. Regal Energy decided to complete the wells for each of the six offerings.

1 Most, but not all, of the investors made the additional capital contribution for completion. For these six
2 offerings, the table below details the number of Washington resident investors and the contributions that
3 were made by the residents:

Joint Venture	Number of WA Investors	Initial Capital Contributions (approx.)	Completion Contributions (approx.)	Total Investments (approx.)
Regal Blessing #1	1	\$24,975	\$16,650	\$41,625
Regal Boonsville #2	3	\$59,690	\$39,750	\$99,440
Regal Waggoner #1	1	\$20,982	\$20,982	\$41,963
Regal Waggoner #2	1	\$10,491	\$10,491	\$20,982
Regal Cospers #1	4	\$105,899	\$150,394	\$256,293
Regal Pierce #1	2	\$195,655	\$6,021	\$201,676
			Total	\$661,978

10 22. At least two Washington residents received unsolicited telephone calls from
11 representatives of Red River Securities. In the summer of 2009, Investor A, a Washington resident,
12 began receiving phone calls from Johnson, a representative of Red River Securities. Johnson called the
13 Washington resident several times to promote oil and gas investments because of their tax advantages
14 and long-term income. Johnson asked Investor A about the annual compensation for an entry level
15 employee in his line of work. Johnson then told Investor A that he could make a similar return in one
16 year with an oil and gas investment. Johnson failed to provide a reasonable basis for, and assumptions
17 underlying, this profit projection. Between August and November 2009, Investor A invested in the Regal
18 Blessing #1. Johnson subsequently sold Investor A partial unit interests in the Regal Boonsville #2 and
19 Regal Waggoner #1.

20 23. A second Washington resident, Investor B, received several phone calls from a
21 salesperson who represented that Investor B could make an approximate 10-20% return on an oil and gas
22

1 investment. The salesperson encouraged Investor B to invest his IRA funds. Between June and
2 September 2011, Investor B invested in the Regal Boonsville #2.

3 **Offering Documents**

4 24. Regal Energy provided investors with a Confidential Information Memorandum for each
5 offering, which described the proposed wells and the joint venture investment. As described below, the
6 Confidential Information Memorandums failed to disclose material information regarding profit
7 projections, use of proceeds, and prior enforcement orders.

8 *Profit Projections*

9 25. The Confidential Information Memorandums provided to investors contained projections
10 regarding the monthly income and approximate return on investment that investors could receive. An
11 exhibit to each offering document included charts for various prices of natural gas and/or oil, with each
12 chart depicting different scenarios depending on how many MCF (thousand cubic feet) of natural gas or
13 barrels of oil that each well produced per day. Although natural gas and/or oil were used for illustration
14 purposes, offering materials stated that the actual production could be oil, gas, or a combination thereof.

15 26. Each of the six offering documents contained projections for natural gas, with up to a
16 projected 71.94% return on investment. For example, the Regal Cosper #1 Confidential Information
17 Memorandum provided three charts for if natural gas sold at \$4 per MCF, \$5 per MCF, and \$6 per MCF.
18 Each chart included scenarios for if the well produced 450 MCF, 1,250 MCF, 2,450 MCF or 3,000 MCF
19 per day. According to one scenario, if gas sold at \$6 per MCF and the well produced 3,000 MCF per
20 day, then per unit an investor could receive monthly income of \$8,756.86 and an approximate return on
21 investment of 71.94%.

22 27. Three of the offering documents (Regal Waggoner #1, Regal Waggoner #2, and Regal
23 Pierce #1) also contained projections for oil, with up to a projected 139.43% return on investment. For

1 example, the Regal Pierce #1 Confidential Information Memorandum provided three charts for if oil sold
 2 for \$70, \$85 and \$100 per barrel. Each chart included scenarios for if the well produced 25, 100, 200 or
 3 300 barrels of oil per day. According to one scenario, if oil sold at \$100 per barrel and the well produced
 4 300 barrels of oil per day, then per unit an investor could receive monthly income of \$19,586.37 and an
 5 approximate return on investment of 139.43%.

6 28. Regal Energy failed to provide a reasonable basis for the projected amount of natural gas
 7 or oil that each well might produce per day. The charts also did not include, or give an estimate of, the
 8 expenses associated with the wells.

9 *Use of Proceeds*

10 29. For each offering, investors were provided with a Confidential Information Memorandum
 11 that included information on the use of investor proceeds. Offering documents disclosed that investor
 12 proceeds would be used for the Turnkey Drilling Contract, the Turnkey Completion Contract, the due
 13 diligence fee, and the sales commissions paid to soliciting dealers (including Red River Securities). The
 14 percentage of investor proceeds that would be used for each expense is detailed in the table below:

15 Joint Venture	Turnkey Drilling Contract	Turnkey Completion Contract	Due Diligence Fee	Sales Commissions
16 Regal Blessing #1	60%	40%	Not disclosed	Not disclosed
17 Regal Boonsville #2	51%	34%	3%	12%
18 Regal Waggoner #1	42.5%	42.5%	3%	12%
19 Regal Waggoner #2	42.5%	42.5%	3%	12%
Regal Cosper #1	34%	51%	3%	12%
Regal Pierce #1	60.71%	24.29%	3%	12%

20
 21 30. The Regal Blessing #1 offering document failed to disclose material information relating
 22 to organizational and offering expenses. The Confidential Information Memorandum for this offering
 23 generally stated that Regal Energy would use proceeds from the Turnkey Drilling Contract to pay for the

1 organization and offering expenses, but failed to disclose the amount, including if there were due
2 diligence fees or sales commissions for this offering. In contrast, the offering documents for the other
3 joint ventures disclosed that Red River Securities would receive a 3% due diligence fee and a sales
4 commission up to 12%.

5 31. Several offering documents failed to disclose, or only partially disclosed, the management
6 fee that Regal Energy would receive. The table below details which offerings disclosed the management
7 fee, and the amount of the management fee if disclosed (as explained below, the management fee listed
8 for the Regal Waggoner #2, Regal Cosper #1, and Regal Pierce #1 are estimates):

9 Joint Venture	Disclosure of	Management Fee
	Management Fee	(approx.)
10 Regal Blessing #1	Yes	\$699,300
11 Regal Boonsville #2	No	---
12 Regal Waggoner #1	No	---
13 Regal Waggoner #2	Partial	\$741,353
14 Regal Cosper #1	Partial	\$1,548,318
15 Regal Pierce #1	Partial	\$1,191,208

16 32. Offering documents for the Regal Boonsville #2, Regal Waggoner #1, Regal Waggoner
17 #2, Regal Cosper #1, and Regal Pierce #1 stated that Regal Energy would receive as a management fee
18 the difference between the Turnkey Drilling Price and the actual cost of operations. Additionally, for
19 offerings in which Regal Energy attempted to complete the well, Regal Energy would receive the
20 difference between the Turnkey Completion Price and the actual cost of operations. The offering
21 documents further stated that Regal Energy could not predict the actual cost of operations and thus could
22 not reasonably predict the amount of the management fee, but the management fee could be significant.
23 The Regal Waggoner #2, Regal Cosper #1, and Regal Pierce #1 offering documents contained an
24 estimated authorization for expenditure (the expected costs to complete the proposed project) from which

1 the investor could calculate the estimated management fee (by subtracting the authorization for
2 expenditure from the Turnkey Drilling Price and the Turnkey Completion Price). In contrast, the Regal
3 Blessing #1 offering document disclosed that Regal Energy would receive a management fee of
4 \$699,300.

5 *Prior Enforcement Actions*

6 33. Most of the offering documents failed to disclose material information regarding prior
7 enforcement actions. The Regal Boonsville #2 Confidential Information Memorandum (dated January 4,
8 2010), Regal Waggoner #1 Confidential Information Memorandum (dated July 15, 2010), Regal
9 Waggoner #2 Confidential Information Memorandum (dated March 4, 2011), Regal Cosper #1
10 Confidential Information Memorandum (dated September 19, 2011), and the Regal Pierce #1
11 Confidential Information Memorandum (dated June 20, 2012) all failed to disclose the February 2009
12 Consent Agreement entered into between the State of New Mexico and the Regal Bennet #1 Joint
13 Venture. In addition, the Regal Pierce #1 Confidential Information Memorandum failed to disclose the
14 December 2011 Letter of Acceptance, Waiver and Consent that FINRA entered into with Red River
15 Securities.

16 **Shutting-In and Plugging Wells**

17 34. Although investors received a few monthly distributions from the joint ventures, the
18 amount of the distributions was nominal compared to the principal invested. For the majority of months,
19 investors did not receive any distributions, as any income the wells produced exceeded the expenses. For
20 example, by approximately May 2014, Investor A received only approximately \$2,394 in distributions,
21 after investing approximately \$211,810 in the six different oil and gas investments through Regal Energy.

22 35. Beginning in approximately September 2012, Regal Energy began notifying investors that
23 it would be shutting in some of the wells. In September 2012, Regal Energy sent letters to investors

1 regarding temporary shut-ins of the Regal Blessing #1, Regal Waggoner #1, and Regal Waggoner #2
2 wells. The letter regarding the Regal Blessing #1 stated that one well was shut-in due to fluid, but
3 indicated that additional equipment was being dispatched to help begin production again. The letters
4 regarding the Regal Waggoner #1 and Regal Waggoner #2 explained that the wells were currently shut-in
5 due to low gas prices. Subsequently, in December 2014, Regal Energy sent a letter to investors stating
6 that the Regal Cosper #1 was shut-in due to low gas prices.

7 36. Beginning in approximately November 2012, Regal Energy began notifying investors of
8 the intent to plug and abandon certain wells. In November 2012, Regal Energy sent a letter stating that it
9 would be plugging and abandoning one of the Regal Blessing #1 wells after several unsuccessful
10 attempts to reduce or stop the well's massive water production. Subsequently, in November 2013, Regal
11 Energy sent several letters to investors regarding the intent to plug and abandon the Regal Waggoner #1,
12 Regal Waggoner #2, and Regal Pierce #1 wells. The letters regarding the Regal Waggoner #1 and Regal
13 Waggoner #2 indicated that a positive cash flow from the wells was no longer a realistic goal. The letter
14 regarding the Regal Pierce #1 stated that the well failed to show commercial quantities of hydrocarbons
15 during several completion attempts.

16 **Failure to Comply with Regulation D Rule 506**

17 37. On September 1, 2009, Regal Blessing #1 Joint Venture filed with the Securities Division
18 a claim of exemption from registration, for an offering of joint venture interests under Regulation D, Rule
19 506 and WAC 460-44A-506.

20 38. On June 29, 2010, Regal Boonsville #2 Joint Venture filed with the Securities Division a
21 claim of exemption from registration, for an offering of joint venture interests under Regulation D, Rule
22 506 and WAC 460-44A-506.

1 **CONCLUSIONS OF LAW**

2 1. The offer and/or sale of the joint venture interests, as described above, constitutes the offer
3 and/or sale of a security as defined in RCW 21.20.005(10) and (12).

4 2. The Regal Blessing #1 Joint Venture and the Regal Boonsville #2 Joint Venture have each
5 violated RCW 21.20.140 because, as set forth in the Tentative Findings of Fact, they offered and/or sold
6 securities for which no registration is on file with the Securities Administrator, and for which no valid
7 claim of exemption exists.

8 3. Scott Bradley Johnson violated RCW 21.20.040 by offering and selling securities in the
9 Regal Blessing #1 Joint Venture while not registered as a securities salesperson or broker-dealer in the
10 State of Washington.

11 4. Regal Energy, L.L.C., Regal Blessing #1 Joint Venture, Regal Boonsville #2 Joint
12 Venture, Regal Waggoner #1 Joint Venture, Regal Waggoner #2 Joint Venture, Regal Cospier #1 Joint
13 Venture, Regal Pierce #1 Joint Venture, and Scott Bradley Johnson have each violated RCW 21.20.010
14 because, as set forth in the Tentative Findings of Fact, they each made misstatements of material fact or
15 omitted to state material facts necessary in order to make the statements made, in light of the
16 circumstances under which they were made, not misleading.

17 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

18 Based upon the above Tentative Findings of Fact and Conclusions of Law, the Securities
19 Administrator intends to order that the Respondents Regal Energy, L.L.C., Regal Blessing #1 Joint
20 Venture, Regal Boonsville #2 Joint Venture, Regal Waggoner #1 Joint Venture, Regal Waggoner #2
21 Joint Venture, Regal Cospier #1 Joint Venture, Regal Pierce #1 Joint Venture, and Scott Bradley
22 Johnson, and their agents and employees, shall each cease and desist from violations of RCW 21.20.140,
23 RCW 21.20.040 and RCW 21.20.010.

1 **NOTICE OF INTENT TO IMPOSE FINES**

2 Pursuant to RCW 21.20.395, and based upon the above Tentative Findings of Fact and Conclusions
3 of Law, the Securities Administrator intends to order that:

- 4 1. Respondent Regal Energy, L.L.C. shall be liable for and pay a fine of \$20,000;
- 5 2. Respondents Regal Blessing #1 Joint Venture, Regal Boonsville #2 Joint Venture, Regal
6 Waggoner #1 Joint Venture, Regal Waggoner #2 Joint Venture, Regal Cosper #1 Joint
7 Venture, and Regal Pierce #1 Joint Venture shall each be liable for and pay a fine of \$10,000;
8 and
- 9 3. Respondent Scott Bradley Johnson shall be liable for and pay a fine of \$5,000.

10 **NOTICE OF INTENT TO CHARGE COSTS**

11 Pursuant to RCW 21.20.390(5), and based upon the above Tentative Findings of Fact and
12 Conclusions of Law, the Securities Administrator intends to order that the Respondents Regal Energy,
13 L.L.C., Regal Blessing #1 Joint Venture, Regal Boonsville #2 Joint Venture, Regal Waggoner #1 Joint
14 Venture, Regal Waggoner #2 Joint Venture, Regal Cosper #1 Joint Venture, Regal Pierce #1 Joint
15 Venture, and Scott Bradley Johnson shall be liable for and pay the Securities Division the costs, fees and
16 other expenses incurred in the administrative investigation and hearing of this matter in an amount not less
17 than \$5,000.

18 **AUTHORITY AND PROCEDURE**

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

1 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above
2 Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist order as to
3 that Respondent, and impose the fines and costs sought.
4

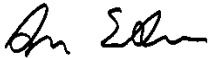
5 Signed and Entered this 12th day of November, 2015.

6 

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8 _____
9 William M. Beatty
10 Securities Administrator

11 Approved by:

12 Presented by:

13 

14 _____
15 Suzanne Sarason
16 Chief of Enforcement

17 

18 _____
19 Bridgett Fisher
20 Financial Legal Examiner

21 Reviewed by:

22 

23 _____
24 Robert Kondrat
25 Financial Legal Examiner Supervisor

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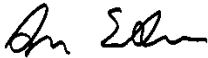
5 Signed and Entered this 12th day of November, 2015.

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8 _____
9 William M. Beatty
10 Securities Administrator

11 Approved by:

12 Presented by:

13 

14 _____
15 Suzanne Sarason
16 Chief of Enforcement

17 

18 _____
19 Bridgett Fisher
20 Financial Legal Examiner

21 Reviewed by:

22 

23 _____
24 Robert Kondrat
25 Financial Legal Examiner Supervisor