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

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

IRA Wealth, Inc. and Patrick Warren Rice,

Respondents

Order Number S-15-1634-15-SC01

STATEMENT OF CHARGES AND NOTICE
OF INTENT TO ENTER AN ORDER TO
CEASE AND DESIST, REVOKE
EXEMPTIONS, IMPOSE A FINE, AND
CHARGE COSTS

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THE STATE OF WASHINGTON TO:

IRA Wealth, Inc.
Patrick Warren Rice

INTRODUCTION

Please take notice that the Securities Administrator of the state of Washington has reason to believe that Respondents, IRA Wealth, Inc. and Patrick Warren Rice, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.325 to revoke exemptions, under RCW 21.20.390 to cease and desist from such violations and to charge costs, and under RCW 21.20.395 to impose a fine. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

Respondents

1. IRA Wealth, Inc. is an inactive Washington corporation that was incorporated on September 24, 2004. From at least 2004 through 2007, IRA Wealth, Inc. was the managing member of ID 02 LLC.

1 02 investment. Rice also contacted prospective investors through e-mail communications about the
2 investment.

3 6. The ID 02 membership interests were sold for \$43,000 each and were purchased with
4 individual retirement account funds. The investor funds were pooled together and were used to purchase a
5 one-half interest in the Tammany View property and to pay operating costs. During 2007, the investors
6 did not participate in the management of ID 02. At that time, the Respondents had exclusive management
7 and control over the company's day-to-day operations. IRA Wealth, Inc. or its affiliates were to receive
8 organizational fees of \$100,000 "for its services in connection with locating and securing the investment
9 opportunity in the Subdivision and the formation and initial organization of the Company...."

10 7. When offering and selling ID 02 limited liability company membership interests, the
11 Respondents represented that when paying distributions, the investors would first receive their initial
12 capital contributions, plus a "priority return" of 12% per annum on the amount of their initial capital
13 contributions. Thereafter, the investors would receive 40% of the total returns, and IRA Wealth, Inc., as
14 the manager of the LLC, would receive 60% of the total returns.
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16 **Misrepresentations and Omissions**

17 8. When offering and selling the ID 02 limited liability company membership interests,
18 Respondents misrepresented to investors that \$500,000 of the \$2,000,000 property purchase price for the
19 Tammany View subdivision would be set aside in a holdback account until road surfacing and the
20 installation of a community water system was completed. Instead, ID 02 transferred the \$500,000
21 immediately at the closing of the property purchase to the other 50% property owner. The road surfacing
22 and the community water system were never completed.

23 9. On May 15, 2007, Rice directed his assistant to send an e-mail message to prospective
24 investors. In the message, Rice represented to investors that instead of having 38 lots, the Tammany View
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1 property would have about 70 lots. Rice also represented in the e-mail that the current appraised value of
2 the lots would increase from \$4,978,000 to close to \$7,000,000. The Respondents failed to disclose to
3 investors that the cost for developing the additional lots was estimated to be a minimum of \$720,000. The
4 Respondents failed to disclose to investors that the company was not raising any additional funds to cover
5 the additional development costs, so the development project was inadequately capitalized. The
6 Respondents also failed to disclose the risk to investors that the additional lots might not be approved and
7 that the development process might not be completed.

8 10. When offering and selling ID 02 limited liability company membership interests, the
9 Respondents represented to investors that the appraised value of the Tammany View property was
10 \$4,993,300 (per the property appraisal report), subject to completion of road surfacing and the installation
11 of an underground community water service. The appraised value was based on the subdivision's
12 "prospective bulk sales value." The Respondents failed to disclose to investors the "as is" property value,
13 rather than the "as completed" value of the property.

14 11. When offering and selling ID 02 limited liability company membership interests,
15 Respondents failed to disclose to investors risks associated with tenant-in-common real property
16 ownership. Respondents failed to disclose to investors that the sale or refinance of any real properties
17 held by ID 02 as a tenant-in-common investment would require the unanimous consent of the tenant-in-
18 common property owners, including the other 50% owner of the Tammany View property.

19 12. When offering and selling ID 02 limited liability company membership interests,
20 Respondents represented to investors that "since 1986 Patrick W. Rice has been at the forefront of IRA
21 investing with real-estate related products," but Respondents failed to disclose to investors that Rice had
22 filed for personal bankruptcy in 1999.
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1 omitted to state a material fact necessary in order to make the statements made, in light of the
2 circumstances under which they were made, not misleading.

3 **NOTICE OF INTENT TO ORDER RESPONDENTS TO CEASE AND DESIST**

4 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of
5 Law, the Securities Administrator intends to order that Respondents, IRA Wealth, Inc. and Patrick Warren
6 Rice, shall each cease and desist from any violation of RCW 21.20.010, RCW 21.20.040, and RCW
7 21.20.140.

8 **NOTICE OF INTENT TO REVOKE EXEMPTIONS**

9 Pursuant to RCW 21.20.325, and based on the above Tentative Findings of Fact and Conclusions of
10 Law, the Securities Administrator intends to order that the exemptions from registration set forth in RCW
11 21.20.320(1), (9), (16) and (17) will be revoked with respect to any securities offered or sold by
12 Respondent, Patrick Warren Rice.

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

14 Pursuant to RCW 21.20.395, and based on the above Tentative Findings of Fact and Conclusions of
15 Law, the Securities Administrator intends to order that Respondent, Patrick Warren Rice, shall be liable
16 for and shall pay a fine of \$20,000.

17 **NOTICE OF INTENT TO CHARGE COSTS**

18 Pursuant to RCW 21.20.390, and based on the above Tentative Findings of Fact and Conclusions of
19 Law, the Securities Administrator intends to order that Respondent, Patrick Warren Rice, shall be liable
20 for and shall pay costs, fees, and other expenses incurred in the administrative investigation and hearing of
21 this matter, in an amount of not less than \$5,000.
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AUTHORITY AND PROCEDURE

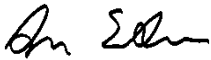
This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW and is subject to the provisions of chapter 34.05 RCW. Respondents, IRA Wealth, Inc. and Patrick Warren Rice, may each make a written request for a hearing on the Statement of Charges, as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this Statement of Charges.

Signed and Entered this 1st day of June, 2015



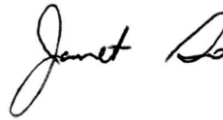
WILLIAM M. BEATTY
Securities Administrator

Approved by:



Suzanne E. Sarason
Chief of Enforcement

Presented by:



Janet So
Financial Legal Examiner

Reviewed by:



Robert Kondrat
Financial Legal Examiner Supervisor